

CC Docket No. 02-6

Exhibit A

Universal Service for Schools and Libraries

Estimated Average Burden Hours Per Response: 1.5 hours
(To be completed by schools, libraries, or consortia.)

Please read instructions before completing.

BILLED ENTITY APPLICANT REIMBURSEMENT FORM

For reimbursement of discounts on approved services already paid for by the Billed Entity Applicant.

Only one Service Provider Identification Number (SPIN) per form.

Must be completed and signed by the Billed Entity Applicant and signed by the relevant service provider.

Persons willfully making false statements on this form can be punished by fine or forfeiture, under the Communications Act, 47 U.S.C. Secs. 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. Sec. 1001.

NOTICE TO INDIVIDUALS: Section 69.619 of the Federal Communications Commission's rules requires the fund administrator to review bills for services and to determine the amount of universal service support to be disbursed to service providers. All schools and libraries and consortia of these entities who have received a Funding Commitment Decisions Letter from the fund administrator and that have paid for in full the price of eligible services which are approved for discounts, and that seek reimbursement of the discounts, must file this Billed Entity Applicant Reimbursement Form. This Billed Entity Applicant Reimbursement Form informs the fund administrator of the amount of the discounts which the applicant has already paid and for which the applicant seeks reimbursement from its service provider. The collection of information stems from the Commission's authority under Section 254 of the Communications Act of 1934, as amended. 47 U.S.C. § 254.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The FCC is authorized under the Communications Act of 1934, as amended, to collect the personal information we request in this form. We will use the information you provide to determine whether approving this form is in the public interest. If we believe there may be a violation or potential violation of a FCC statute, regulation, rule or order, your form may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing or implementing the statute, rule, regulation or order. In certain cases, the information in your form may be disclosed to the Department of Justice or a court or adjudicative body when (a) the FCC; or (b) any employee of the FCC; or (c) the United States Government, is a party in a proceeding before the body or has an interest in the proceeding.

If you owe a past due debt to the federal government, the taxpayer identification number and other information you provide may also be disclosed to the Department of the Treasury Financial Management Service, other federal agencies and/or your employer to offset your salary, IRS tax refund or other payments to collect that debt. The FCC may also provide this information to these agencies through the matching of computer records when authorized. If you do not provide the information requested on the form, your form may be returned without action or your form may be delayed. The foregoing Notice is required by the Privacy Act of 1974, Pub. L. No. 93-579, December 31, 1974, 5 U.S.C. § 552, and the Paperwork Reduction Act of 1995, Pub. L. No. 104-13, 44 U.S.C. § 3501, *et seq.*

Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, completing, and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the reporting burden, to the Federal Communications Commission, Performance Evaluation and Records Management, Washington, D.C. 20554.

BLOCK 1: HEADER INFORMATION

1. **471 Billed Entity Applicant Name** (30 characters maximum)
2. **471 Billed Entity Applicant Number** (10 digits maximum)
3. **Service Provider Identification Number (SPIN)** (9 digits maximum)
4. **Contact Name** (30 characters maximum)
5. **Contact Telephone Number** (14 digits maximum)
6. **Reimbursement Form Number** (assigned by Billed Entity Applicant--25 characters maximum)
7. **Reimbursement Form Date to SLC** (mm/dd/yyyy)
8. **Total Reimbursement Amount** (total of Block 2, Item 15 -- 14.2 digits maximum)

Billed Entity Applicant Reimbursement Form

For reimbursement of discounts on approved services already paid for by the Billed Entity Applicant.

471 Billed Entity Applicant Name _____ 471 Billed Entity Applicant Number _____ Contact Name _____

Contact Telephone Number _____ Reimbursement Form Number _____

BLOCK 2: LINE ITEM INFORMATION PER FUNDING REQUEST NUMBER

| | (9) FCC Form 471 Application Number (10 digits) (from Funding Commitment Decisions Letter) | (10) Funding Request Number (FRN) (10 digits) (from Funding Commitment Decisions Letter) | (11) Bill Frequency | (12) Customer Billed Date (mm/yyyy) | (13) Shipping Date to Customer or Last Day of Work Performed (mm/dd/yyyy) | (14) Total (Undiscounted) Amount for Service (14.2 digits max.) | (15) Discount Amount Billed to SLC (14.2 digits max.) |
|---|---|--|---------------------------------|---|--|--|--|
| | | | DO NOT WRITE IN THIS COLUMN. | For each FRN, complete either Column (12) or Column (13), but not both Columns | | 14.2 digits allows for dollars and cents | |
| 1 | | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | | | | | | | |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | | | | | | | |
| 9 | | | | | | | |
| 10 | | | | | | | |
| 11 | | | | | | | |
| 12 | | | | | | | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| TOTAL REIMBURSEMENT AMOUNT TO BE ENTERED INTO ITEM (8) | | | | | | | |

BILLED ENTITY APPLICANT Reimbursement Form

471 Billed Entity Applicant Name _____

471 Billed Entity Applicant Number _____

Contact Person Name _____

Contact Telephone Number _____

Reimbursement Form Number _____

Block 3: Billed Entity Applicant Certification

I certify that I am authorized to submit this Billed Entity Applicant Reimbursement Form on behalf of the eligible schools, libraries, or consortia of those entities represented on this Form, and certify to the best of my knowledge, information and belief, as follows:

- A. The discount amounts listed in Column (15) of this Billed Entity Applicant Reimbursement Form represent charges for eligible services delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the actual service start date reported on the associated Form 486.
- B. The discount amounts listed in Column (15) of this Billed Entity Applicant Reimbursement Form were already billed by the service provider and paid by the Billed Entity Applicant on behalf of eligible schools, libraries, and consortia of those entities.
- C. The discount amounts listed in Column (15) of this Billed Entity Applicant Reimbursement Form are for eligible services approved by the fund administrator pursuant to a Form 471 Funding Commitment Decisions Letter.
- D. I recognize that I may be audited pursuant to this application and will retain for five years any and all records that I rely upon to fill in this form.

16. Signature of authorized person (original ink signature required)

17. Date (required)

18. Printed name of authorized person (required)

19. Title or position of authorized person (required)

20. Telephone number of authorized person (required)

21. Address of authorized person (required)

BILLED ENTITY APPLICANT Reimbursement Form

471 Billed Entity Applicant Name _____

471 Billed Entity Applicant Number _____

Contact Person Name _____

Contact Telephone Number _____

Reimbursement Form Number _____

Block 4: Service Provider Acknowledgment

I certify that I am authorized to submit this Service Provider Acknowledgment for this Billed Entity Applicant Reimbursement Form, and acknowledge to the best of my knowledge, information and belief, as follows:

- A. The service provider must remit the discount amount authorized by the fund administrator to the Billed Entity Applicant who prepared and submitted this Billed Entity Applicant Reimbursement Form as soon as possible after the fund administrator's notification to the service provider of the amount of the approved discounts on this Billed Entity Applicant Reimbursement Form, but in no event later than 10 calendar days after receipt of the reimbursement payment from the fund administrator, subject to the restriction set forth in B. below.
- B. The service provider must remit payment of the approved discount amount to the Billed Entity Applicant prior to tendering or making use of the payment issued by the Universal Service Administrative Company to the service provider of the approved discounts for the Billed Entity Applicant Reimbursement Form.

22. Signature of authorized person (fax, copy or original signature)

23. Date (required)

24. Printed name of authorized person (required)

25. Title or position of authorized person (required)

26. Telephone number of authorized person (required)

27. Address of authorized person (required)

Page 4 of 4 pages

FCC Form 472 - October 1998

A paper copy of this Form (pages 1-4) should be mailed to:

SLC-BEAR Form
P. O. Box 7026
Lawrence, KS 66044-7026

If sent by express delivery services or U.S. Postal Service, Return Receipt Requested, the form (pages 1-4) should be mailed to:

SLC-BEAR Form
c/o Ms. Smith
3833 Greenway Drive
Lawrence, KS 66046

CC Docket No. 02-6

Exhibit B



Universal Service Administrative Company
Schools & Libraries Division

COMMITMENT ADJUSTMENT LETTER

April 24, 2003

Fay Reed

BellSouth Telecommunications, Inc.

675 West Peachtree St., Room 17M61-Bellsouth Center

Atlanta, GA 30375

Re: COMMITMENT ADJUSTMENT

Funding Year: 2001 -2002

Form 471 Application Number: 229706

Applicant Name: UNION PARISH SCHOOL BOARD

Contact Person: Tom Snell

Contact Phone: 318-368-9715

Dear Service Provider Contact:

Our routine reviews of Schools and Libraries Program funding commitments revealed certain applications where funds were committed in violation of program rules.

In order to be sure that no funds are used in violation of program rules, SLD must now adjust these funding commitments. The purpose of this letter is to inform you of the adjustments to these funding commitments required by program rules.

FUNDING COMMITMENT REPORT

On the pages following this letter, we have provided a Funding Commitment Report for the Form 471 application cited above. The enclosed report includes a list of the FRNs from the application for which adjustments are necessary. The SLD is also sending this information to applicant, so that you may work with them to implement this decision. Immediately preceding the Funding Commitment Report, you will find a guide that defines each line of the Report.

Please note that if the Funds Disbursed to Date amount exceeds your Adjusted Funding Commitment amount, USAC will have to recover some or all of the funds disbursed. The amount is shown as Funds to be Recovered. We expect to send you a letter describing the process for recovering these funds in the near future, and we will send a copy of the letter to the applicant. If the Funds Disbursed to Date amount is less than the Adjusted Funding Commitment amount, USAC will continue to process properly filed invoices up to the Adjusted Funding Commitment amount.

TO APPEAL THESE FUNDING COMMITMENT DECISIONS

If you wish to appeal the Funding Commitment Decision(s) indicated in this letter, your appeal must be made in writing and **RECEIVED BY THE SCHOOLS AND LIBRARIES DIVISION (SLD) WITHIN 60 DAYS OF THE DATE AT THE TOP OF THIS LETTER.** Failure to meet this requirement will result in automatic dismissal of your appeal. In your letter of appeal:

1. Include the name, address, telephone number, fax number, and e-mail address (if available) for the person who can most readily discuss this appeal with us.
2. State outright that your letter is an appeal. Identify which Commitment Adjustment Letter you are appealing. Your letter of appeal must include the applicant name and the Form 471 Application Number from the top of this Commitment Adjustment Letter.
3. Identify the particular Funding Request Number(s) (FRN) that is the subject of your appeal. When explaining your appeal, include the precise language or text from the Commitment Adjustment Letter that is at the heart of your appeal. By pointing us to the exact words that give rise to your appeal, you will enable us to more readily understand and respond appropriately to your appeal. Please keep your letter to the point, and provide documentation to support your appeal. Be sure to keep copies of your correspondence and documentation.
4. Provide an authorized signature on your letter of appeal.

If you are submitting your appeal on paper, please send your appeal to: Letter of Appeal, Schools and Libraries Division, Box 125- Correspondence Unit, 80 South Jefferson Road, Whippany, NJ 07981. Additional options for filing an appeal can be found in the "Appeals Procedure" posted in the Reference Area of the SLD web site www.sl.universalservice.org or by calling the Client Service Bureau at 1-(888)-203-8100. We encourage the use of either the e-mail or fax filing options to expedite filing your appeal.

While we encourage you to resolve your appeal with the SLD first, you have the option of filing an appeal directly with the Federal Communications Commission (FCC). You should refer to CC Docket Nos. 96-45 and 97-21 on the first page of your appeal to the FCC. Your appeal must be **RECEIVED BY THE FCC WITHIN 60 DAYS OF THE ABOVE DATE ON THIS LETTER.** Failure to meet this requirement will result in automatic dismissal of your appeal. Further information and options for filing an appeal directly with the FCC can be found in the "Appeals Procedure" posted in the Reference Area of the SLD web site, www.sl.universalservice.org or by calling the Client Service Bureau at 1-(888)-203-8100. We strongly recommend that you use either the e-mail or fax filing options because of continued substantial delays in mail delivery to the FCC. If you are submitting your appeal via United States Postal Service, send to: FCC, Office of the Secretary, 445 12th Street SW, Washington, DC 20554.

A GUIDE TO THE FUNDING COMMITMENT REPORT

Attached to this letter will be a report for each funding request from your application for which a commitment adjustment is required. We are providing the following definitions.

- **FUNDING REQUEST NUMBER (FRN):** A Funding Request Number is assigned by the SLD to each request in Block 5 of your Form 471 once an application has been processed. This number is used to report to applicants and service providers the status of individual discount funding requests submitted on a Form 471.
- **SPIN (Service Provider Identification Number):** A unique number assigned by the Universal Service Administrative Company to service providers seeking payment from the Universal Service Fund for participating in the universal service support programs.
- **SERVICE PROVIDER:** The legal name of the service provider.
- **CONTRACT NUMBER:** The number of the contract between the eligible party and the service provider. This will be present only if a contract number was provided on Form 471.
- **SERVICES ORDERED:** The type of service ordered from the service provider, as shown on Form 471.
- **SITE IDENTIFIER:** The Entity Number listed in Form 471 for "site specific" FRNs.
- **BILLING ACCOUNT NUMBER:** The account number that your service provider has established with you for billing purposes. This will be present only if a Billing Account Number was provided on your Form 471.
- **ADJUSTED FUNDING COMMITMENT:** This represents the adjusted total amount of funding that SLD has committed to this FRN. If this amount exceeds the Funds Disbursed to Date, the SLD will continue to process properly filed invoices up to the new commitment amount.
- **FUNDS DISBURSED TO DATE:** This represents the total funds which have been paid up to now to the identified service provider for this FRN.
- **FUNDS TO BE RECOVERED:** This represents the amount of Funds Disbursed to Date that exceed the Adjusted Funding Commitment amount. These funds will have to be recovered. If the Funds Disbursed to Date do not exceed the Adjusted Funding Commitment amount, this entry will be \$0.
- **FUNDING COMMITMENT ADJUSTMENT EXPLANATION:** This entry provides a description of the reason the adjustment was made.

Funding Commitment Report for Application Number: 229706

Funding Request Number: 594001 SPIN: 143004824

Service Provider: BellSouth Telecommunications, Inc.

Contract Number: T

Services Ordered: TELCOMM SERVICES

Site Identifier:

Billing Account Number: 318-368-9715

Adjusted Funding Commitment: \$0.00

Funds Disbursed to Date: \$89,685.89

Funds to be Recovered: \$89,685.89

Funding Commitment Adjustment Explanation:

After thorough investigation it has been determined that Tom Snell is associated with Send Technology LLC, a service provider. Tom Snell is also the contact person on the Form 470: 927550000315997 that is referenced for this funding request. The Form 470 associated with this funding request contains service provider (SP) contact information, which violates the intent of the competitive bidding process. Competitive bidding violation occurs when a SP associated with the Form 470 participates in competitive bidding process as a bidder. As a result of the competitive bidding violation the SLD is rescinding the committed amount in full.

CC Docket No. 02-6

Exhibit C

BellSouth Corporation
Legal Department
675 West Peachtree Street, N.W.
Suite 4300
Atlanta, GA 30375-0001

lisa.foshee@bellsouth.com

Lisa S. Foshee
Senior Corporate Counsel-Regulatory

404 335 0754
Fax 404 614 4054

June 24, 2003

APPEAL OF COMMITMENT ADJUSTMENT LETTER

Letter of Appeal
Schools and Libraries Division
Universal Service Administrative Company
Box 125 – Correspondence Unit
80 South Jefferson Road
Whippany, NJ 07981

RE: APPEAL OF COMMITMENT ADJUSTMENT
Funding Year: 2001-2002
Funding Request Number: 594001
SPIN: 143004824
Form 471 Application Number: 229706
Applicant Name: Union Parish School Board
Contact Person: Tom Snell Contact Phone: 318-368-9715

To Whom It May Concern:

Please accept this letter as an appeal of the Commitment Adjustment Letter dated April 24, 2003, served on BellSouth Telecommunications, Inc. concerning the above-stated Applicant and Form 471 Application Number. In the Commitment Adjustment Letter, the SLD provided as follows:

After thorough investigation it has been determined that Tom Snell is associated with Send Technology LLC, a service provider. Tom Snell is also the contact person on the Form 470, 92755000315997 that is referenced in this funding request. The Form 470 associated with this funding request contains service provider (SP) contact information, which violates the intent of the competitive bidding process. Competitive bidding violation occurs when a SP associated with the Form 470 participates in competitive bidding process as a bidder. As a result of the competitive bidding violation the SLD is rescinding the committed amount in full.

BellSouth appeals this decision on the grounds that the applicant school district in this matter appears to have engaged in fraud and thus, pursuant to FCC precedent, the Commission must address this matter on a case-by-case basis and USAC's funding recovery plan should not apply.

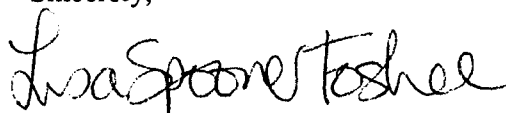
Attached to this appeal are two Investigative Audits of the E-Rate Program, conducted by the Office of the Legislative Auditor, State of Louisiana (the "Audit") in accordance with Title 24 of the Louisiana Revised Statutes. The Audits were completed on October 2, 2003 and January 15, 2003, and resulted in findings that indicate that the Union Parish School District (via Tom Snell), and SEND Technologies may have engaged in fraud or abuse with respect to the E-Rate Program.

The FCC has concluded that "the proposed recovery plan [adopted by the FCC in CC Docket Nos. 97-21 and 96-45] is not intended to cover the rare cases in which the Commission has determined that a school or library has engaged in waste, fraud, or abuse."¹ In such cases, the Commission will address the situation "on a case-by-case basis" and not in a perfunctory manner such as appears to be the case in this Commitment Adjustment.²

Based on this evidence, BellSouth respectfully requests that the SLD grant this appeal and conduct an investigation into the possible fraud and abuse in this case that would preclude the application of SLD's funding recovery plan. Without such an investigation, it will be impossible for SLD to know whether fraud and/or abuse occurred, and, without such knowledge, it will be impossible for SLD to apply the funding recovery plan.

Thank you for your attention to this matter. Please contact me with any further questions or comments.

Sincerely,



Lisa Spooner Foshee
Ph (404) 335-0754
Fax (404) 614-4054
Lisa.foshee@BellSouth.com

Attachments

¹ *In the Matters of Changes to the Board of Directors of the National Exchange Carrier Association, Inc. and Federal-State Joint Board on Universal Service*, CC Docket Nos. 97-21 and 96-45, October 26, 2000, at para. 13.

² *Id.*

Attachment 1

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Union Parish School Board
Farmerville, Louisiana

October 2, 2002



Investigative Audit

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

LEGISLATIVE AUDIT ADVISORY COUNCIL

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LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

DIRECTOR OF INVESTIGATIVE AUDIT

Daryl G. Purpera, CPA, CFE

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Sixty copies of this public document were produced at an approximate cost of \$310.80. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

Union Parish School Board

October 2, 2002



**Investigative Audit
Office of the Legislative Auditor
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor**

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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

October 2, 2002

**MR. TOM SNELL, SUPERINTENDENT,
AND MEMBERS OF THE UNION PARISH
SCHOOL BOARD**
Farmerville, Louisiana

Transmitted herewith is our investigative report of the Union Parish School Board. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our finding and recommendations as well as your response. Copies of this report have been delivered to the Union Parish School Board; the Honorable Robert W. Levy, District Attorney for the Third Judicial District of Louisiana; Mr. Donald W. Washington, United States Attorney for the Western District of Louisiana; and others as required by state law.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle", is written over a horizontal line.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

GFC:EKL:DGP:dl

[UNNSB02]

Executive Summary

Investigative Audit Report Union Parish School Board

The following summarizes the finding and recommendations as well as management's response that resulted from this investigation. Detailed information relating to the finding and recommendations may be found at the page number indicated. Management's response may be found at Attachment II.

Background (*See page 7.*)

The Union Parish School Board (school district) operates ten schools and serves over 3,700 students. Since 1998, the school district has submitted applications for funding under the Schools and Libraries Universal Service Fund. The Universal Service Fund, also known as E-Rate, was created as part of the Telecommunications Act of 1996 to ensure that eligible schools and libraries have affordable access to modern telecommunications and information services. Schools and libraries that qualify for the program receive discounts according to their level of economic disadvantage (based on the percentage of students eligible for the national school lunch program) and their location--rural or urban. The school or library will receive discounts of 20% to 90% on telecommunications services, internal connections, and Internet access. The school district has applied for and received E-Rate funding since 1998 and through this funding has entered into contracts for telecommunications, internal connections, and Internet services.

During the period covered in this audit, April 1998 to June 2002, Mr. Snell served as the school district technology coordinator until he was appointed school district superintendent in June 2001.

The legislative auditor received information that the school district awarded E-Rate contracts to a company owned by school district employees. This investigative audit was performed to determine the propriety of this allegation.

Highlights. . .

From April 1998 to January 2001, it appears that Mr. Tom Snell used his position as technology coordinator to secure contracts totaling \$473,260 to his private company.

Finding (See page 9.)

From April 1998 to January 2001, it appears that Mr. Tom Snell used his position as the Union Parish School District's (school district) technology coordinator to secure contracts totaling \$473,260 to his private company, SEND Technologies, L.L.C. (SEND). Mr. Snell's actions resulted in the school board:

1. Entering into contracts with a company partly owned by its employees
2. Conducting a competitive bidding process that was flawed
3. Entering into contracts without the approval of school board members
4. Paying for services that were either not allowed or not provided
5. Issuing payments to SEND in violation of the state constitution
6. Paying SEND for enhanced services that were never provided

Recommendations (See page 21.)

We recommend that the school district (1) discontinue doing business with companies owned by school district employees, and (2) ensure that competitive bidding procedures, when used, are carried out appropriately. In addition, we recommend that the school district's technology coordinator, business manager, and members of the school board's finance committee review all E-Rate contracts and billings to ensure that payments are made for only those services that are provided. We further recommend that the District Attorney for the Third Judicial District of Louisiana and the United States Attorney for the Western District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Additional Information (See Attachment I.)

1. Entering into contracts with a company partly owned by its employees

Mr. Snell was the school district's technology coordinator who represented the school district for technology issues. It appears that a conflict of interest occurred because Mr. Snell was listed as the school district's E-Rate contact person. This created a situation in which prospective vendors would have had to contact Mr. Snell (part owner of a competitive vendor - SEND) to obtain information about potential E-Rate contracts with the school district. Though the Louisiana Board of Ethics may not consider this arrangement a violation of the state ethics laws, it increases the risk of unfair competition, fraud, or abuse to an unacceptable level and therefore should not be practiced by those entrusted with public funds.

2. Conducting a competitive bidding process that was flawed

The bid process was by its design ineffective and therefore did not ensure a fair and competitive result because:

1. Mr. Snell, an owner of SEND, was listed as the contact person for potential bidders on the school district's initial advertisement.
2. The school board entered into a purchase order with SEND prior to the bid process.
3. Potential bidders were severely restricted in the time they had to respond and though an owner of SEND was an employee of the school district, other bidders were not afforded the opportunity to clarify or discuss any of the proposed specifications before the bid.
4. Mr. Snell participated in the preparation of the document provided to school board members comparing the bids received.

Had the school district desired to ensure a fair environment and promote the greatest level of competition the school district could have (1) removed Mr. Snell as contact person of potential bidders and prohibited his involvement in bid tabulations; (2) delayed entering into premature agreements with SEND; and (3) allowed ample time for potential bidders

to respond and to access unbiased information regarding the proposed specifications.

3. Entering into contracts without the approval of school board members

Mr. Snell stated that once the school board approved him to do business with SEND in May 1998, it was implied that he could continue to do business with SEND on subsequent contracts. During our review of subsequent minutes to school board meetings, we found no evidence to indicate that the board approved additional E-Rate contracts between the school board and SEND. However, Mr. Snell continued to negotiate contracts with SEND though there was only one written contract.

4. Paying for services that were either not allowed or not provided

Management states the finding is incorrect because the billed services were performed and allowed. Management's response ignores the facts in that:

1. The original contract specifically provided that there would be no additional charges for installation, conversion, and reprogramming. The amended contract was entered into seven months after the services were provided, if provided at all. The amended contract itself is highly suspect because it, in itself, is exactly what can happen when a conflict of interest exists (Mr. Snell was an employee of the school district and an owner of SEND, the vendor).
2. SEND billed these costs as installation and conversion costs to the school district but as quarterly Internet access to USAC--two separate and distinct types of service.

5. Issuing payments to SEND in violation of the state constitution

On March 11, 2002, Mr. Mark Stevenson, owner and general manager of SEND, told auditors that the contract dated February 22, 1999, covered a two-year period and that SEND assigned an employee to work exclusively at the Union Parish School Board for 20 hours each week. When asked to provide documented work hours under this contract, Mr. Stevenson provided auditors with a report indicating that SEND had paid its employee for 1,204 work hours from July 1999 to June 2000 and an additional 1,000 hours for July 2000 to June 2001. Mr. Stevenson then provided auditors with a Service Hours Report for the period July 30, 1999, to September 30, 2001, indicating an additional 340 documented hours. At no time did Mr. Stevenson indicate the existence of or provide to auditors any additional documented work hours as was provided with management's response.

6. Paying SEND for enhanced services that were never provided

The auditors concluded that the school district's networking configuration had not changed because (1) SEND's proposal for 1998 Internet access provided for T-1 point-to-point links from the school sites to the central office; (2) the school district's contract with SEND for 1999 Internet access provided for T-1 point-to-point links from the school sites to the central office; and (3) although the school district could not provide documentation indicating the configuration in place during 2000, Mr. Snell stated that the configuration was the same as the configuration in place during the 1998 and 1999 funding years.

Mr. Snell further explained that the school district had T-1 point-to-point links from the school sites to the central office during the 2001 funding year. This configuration conflicts with SEND's proposal for 2001 Internet access which states that SEND would provide T-1 point-to-point links from the school sites direct to SEND's offices in Monroe. Both Mr. Snell and Mr. Stevenson confirmed that the school district's school sites did not have T-1 links to SEND's offices during the 2001 funding year.

Background and Methodology

The Union Parish School Board (school district) operates ten schools and serves over 3,700 students. Since 1998, the school district has submitted applications for funding under the Schools and Libraries Universal Service Fund. The Universal Service Fund, also known as E-Rate, was created as part of the Telecommunications Act of 1996 to ensure that eligible schools and libraries have affordable access to modern telecommunications and information services. Schools and libraries that qualify for the program receive discounts according to their level of economic disadvantage (based on the percentage of students eligible for the national school lunch program) and their location--rural or urban. The school or library will receive discounts of 20% to 90% on telecommunications services, internal connections, and Internet access. The school district has applied for and received E-Rate funding since 1998 and through this funding has entered into contracts for telecommunications, internal connections, and Internet services.

During the period covered in this audit, April 1998 to June 2002, Mr. Tom Snell served as the school district's technology coordinator until he was appointed school district superintendent in June 2001.

The legislative auditor received information that the school district awarded E-Rate contracts to a company owned by school district employees. This investigative audit was performed to determine the propriety of this allegation.

The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the school district; (2) interviewing other persons as appropriate; (3) examining selected school district records; (4) performing observations and analytical tests; and (5) reviewing applicable state and federal laws and regulations.

The result of our investigation is the finding and recommendations herein.

Finding

Union Parish School District Technology Coordinator Used His Position to Secure Contracts Totaling \$473,260 to His Private Company

From April 1998 to January 2001, it appears that Mr. Tom Snell used his position as the Union Parish School District's (school district) technology coordinator to secure contracts totaling \$473,260 to his private company, SEND Technologies, L.L.C. (SEND). Mr. Snell's actions resulted in the school board:

1. **Entering into contracts with a company partly owned by its employees**
2. **Conducting a competitive bidding process that was flawed**
3. **Entering into contracts without the approval of school board members**
4. **Paying for services that were either not allowed or not provided**
5. **Issuing payments to SEND in violation of the state constitution**
6. **Paying SEND for enhanced services that were never provided**

E-Rate, a federally funded program, was created as part of the Telecommunications Act of 1996 to ensure that all eligible schools and libraries have affordable access to modern telecommunications and information services. Schools and libraries that qualify for the program receive discounts on Internet access, internal connections, and telecommunications services according to their level of economic disadvantage (based on the percentage of students eligible for the national school lunch program) and their location--rural or urban.

E-Rate was created to ensure that eligible schools and libraries have affordable access to modern telecommunications and information services.

The Universal Service Administration Company (USAC) is a private, nonprofit corporation that administers the E-Rate Program. USAC pays the discounted portion for services rendered and the non-discounted portion is paid by the school district. Since 1998, the school district has submitted applications and received E-Rate funding. These applications indicate that Mr. Tom Snell, the school district's technology coordinator during this period, was the E-Rate contact person.

School District Entered Into Contracts With a Company Partially Owned By Employees.

Before receiving E-Rate funding in 1998, the school district purchased Internet access from the Monroe City School Board (MCSB). At the time, MCSB Management and Information Services

Director Mark Stevenson and Associate Director Albert Sit coordinated MCSB's Internet service provider (ISP) services. When E-Rate funding became available in 1998, MCSB discontinued providing Internet services to other parishes because USAC guidelines would not allow MCSB to act as an E-Rate service provider while receiving E-Rate funding.

Louisiana Secretary of State records indicate that Mr. Snell, Mr. Stevenson, Mr. Sit, and Ms. Bobbye Earle, school district supervisor of instruction, organized SEND Technologies, L.L.C. on March 31, 1998. Mr. Snell indicated that he and Ms. Earle each owned 15% of SEND. On April 2, 1998, SEND contracted with the school district to provide Internet access and has since provided Internet access, internal connections, and on-site network support to the school district. It should be noted that Mr. Snell and Ms. Earle collectively received 41% of SEND's distributions to owners during the year 2000.

Competitive Bid Process Was Flawed.

SEND was awarded the initial Internet access contract on May 11, 1998, as the result of a competitive bidding process; however, (1) a purchase order for Internet service was prepared more than one month before receiving competitive bids; (2) SEND was paid to provide these services beginning in April 1998, prior to the school district receiving competitive bids; (3) Mr. Snell applied for E-Rate funding before May 11, 1998, listing SEND as the Internet provider; and (4) though Mr. Snell claimed he disassociated himself from the contract with SEND, evidence indicates otherwise. As a result, it appears that the competitive bid process, an important management control, though not required for this contract, was flawed.

SEND was paid to provide Internet services beginning in April 1998 before the school district received competitive bids.

During April 1998, the school district submitted USAC Form 471, "Services Ordered and Certification Form," requesting funding for Internet access. Form 471 listed SEND as the school district's Internet service provider (ISP) and Mr. Snell as the school district's E-Rate contact person. USAC records indicate that SEND was funded as the school district's Internet service provider for the nine-month period beginning April 2, 1998, and ending December 31, 1998. USAC later extended the funding period through June 1999 creating a fifteen-month funding period. School district and USAC disbursement records indicate that SEND was paid \$35,250 for Internet access services beginning in April 1998 and continuing through June 1999.

The school district sent formal requests for ISP bids to vendors on April 30, 1998, requesting a response (bid) by May 6, 1998. School district records indicate that Ms. Donna Cranford, school district business manager, faxed requests for bids to Long Distance Savers Communications (LDS), U-UNet, and Bell South. Ms. Cranford could not provide documentation to indicate that a request for a bid was faxed to SEND. The school district received written bids from SEND and LDS on May 5, 1998, and May 6, 1998, respectively.

Mr. Mike Lazenby, former school district superintendent, stated that he was concerned about Mr. Snell's ownership in SEND and that he requested an opinion from Mr. Steve Katz, school district's general counsel. Mr. Katz stated that his opinion was that the school district could

legally do business with SEND because neither Mr. Snell nor Ms. Earle were majority owners in SEND. Mr. Katz added that it was his understanding that Mr. Snell recused himself from the school district's business dealings with SEND. In May 2001, the Louisiana Board of Ethics considered the question of Mr. Snell's involvement with SEND and later ruled that Mr. Snell was not in violation of ethics laws because he was not an employee of SEND, owned less than 25% of the company, and did not participate in the initial contract between the school district and SEND.

According to school district records, Ms. Cranford provided a memo to school board members during the May 11, 1998, school board meeting informing them that (1) SEND and LDS had submitted bids; (2) SEND was the lowest bidder; and (3) Mr. Snell and Ms. Earle were members of SEND. Attached to this memo was a document detailing the differences between the bids received from SEND and LDS and further indicating that SEND had submitted the low bid. Ms. Cranford stated that the information in this document was technical and that she did not prepare this information by herself. She stated that either the technology coordinator (Mr. Snell) or the superintendent (Mr. Lazenby) provided this information.

It appears that the bid process was rushed and therefore carried out in a manner that did not promote competition. According to the request for bids, questions regarding bid specifications were to be submitted to the school board in writing; however, no inquiries were to be received within five days of the opening of bids. Ms. Brenda Calvin, former LDS account manager, recalled that she had limited time to prepare and submit her bid (approximately five business days). She stated that she telephoned the school district with questions regarding the request for bids and was informed that "she should respond to the request the best she could."

Board minutes of the May 11 meeting indicate that LDS and SEND were the only vendors to respond to the request for bids. Board members elected to accept SEND's proposal for Internet services.

Mr. Snell Claimed to Have Not Participated in the Contract Process - Records Say Otherwise.

During our initial interview of Mr. Snell, he stated that because he had an ownership interest in

Mr. Snell stated that he dissociated himself from the school board's decision to accept SEND's proposal.

SEND, he dissociated himself from the school board's decision to accept SEND's proposal. According to Mr. Lazenby and Ms. Cranford, Mr. Snell would have been involved in preparing the request for ISP bids sent to vendors. In addition, computer records indicate that Mr. Snell prepared an analysis of bids submitted to board

members. Furthermore, Mr. Snell indicated that he administered the contract and services that SEND provided.

Mr. Snell explained that Mr. Stevenson, SEND co-owner/manager, presented SEND's proposal to the superintendent and the school board's finance committee. He added that he was not present during this meeting and that Mr. Lazenby negotiated the school board's contract with SEND.

Mr. Lazenby stated that he only signed the contracts between SEND and the school district. He explained that because he did not have the technical knowledge he relied on Mr. Snell for technology decisions. He stated that Mr. Snell would have prepared the request for proposals to ISP vendors. When asked when did he become aware that SEND would be the school district's ISP, he stated that he knew from the beginning that SEND and Mr. Stevenson would be providing Internet access to the school district. He added that Mr. Snell arranged his initial meeting with Mr. Stevenson.

Mr. Lazenby stated that he relied on Mr. Snell for all technology related decisions.

Records from former MCSB Accountant Kim Smalling's computer indicate that Mr. Snell was the author of a document similar to the document presented to the school board members on May 11, 1998, listing differences between the bids received from SEND and LDS. Ms. Smalling currently works for SEND. The document (presented below) was found on Ms. Smalling's former MCSB computer. The document's electronic properties listed Mr. Snell as its author. Mr. Snell initially denied preparing the document although he later stated that it was possible he might have helped Ms. Cranford prepare it. Mr. Snell could not explain why a document prepared by Ms. Cranford, a school district employee, would have been located on a computer at MCSB.

The document below (left) was presented to the school board members on May 11, 1998. The document below (right) was found on Ms. Smalling's computer at MCSB in her e-mail attachment file.

Internet Services Proposals:

LDS

1. Provides no service on the network server
2. Provides user service only on dial-up accounts
3. Requires an additional equipment cost that must be purchased through them. Total equipment cost \$44,399.00.
4. Requires an additional email charge and email must reside on their server. Total monthly cost for our existing accounts would be \$95.00 with an additional \$1.25 per mailbox per month.
5. Requires additional charge for web service and space over 30mb.
6. Labor costs \$120.00 per hour.
7. Provides no Internet filtering.
8. One time startup cost of \$18,886.95 and Monthly recurring telco costs of \$19,188.24 to be part of the network plus additional charges for Internet. (\$1,200 per month for 1/4 of a T1 and \$300 per month for 56K which totals \$9,600 for our district.)
9. Total Monthly Costs: \$19,188.24 (telco cost) + \$95 (email cost) + \$9,600 (Internet costs) = \$28,883.24/ 11 sites = \$2,625.75 per month per school - less 80% discount = \$525.15 per school per month.

SEND TECHNOLOGIES

1. Will provide network server support.
2. Will provide remote operating system and network software support for desktop computers.
3. No additional equipment charges.
4. No additional charges for email services.
5. No additional charges for web services.
6. If on-site labor after installation is required, costs will be \$60.00 per hour.
7. Will provide Web filtering at no additional cost.
8. Reprogramming and one time startup costs at no cost to the district with the exception of T1 one time installation costs of approximately \$500.
9. Total Monthly Costs: \$3,158 (Bell telco costs) + \$2350 (Internet costs) = \$5,508/11 sites = \$500.73 per school - less 80% discount = \$100.15 per school per month.

Submitted to School Board Members

Internet Services Proposals:

LDS

1. Provides no service on the network server
2. Provides user service only on dial-up accounts
3. Requires an additional equipment cost that must be purchased through them. Total equipment cost \$44,399.00.
4. Requires an additional email charge and email must reside on their server. Total monthly cost for our existing accounts would be \$95.00.
5. Requires additional charge for web service and space over 30mb.
6. Labor costs \$120.00 per hour.
7. Provides no Internet filtering.
8. One time startup cost of \$18,886.95 and Monthly recurring costs of \$19,188.24 to be part of frame relay network plus additional charges for Internet. (\$1,200 per month for 1/4 of a T1 and \$300 per month for 56K.)
9. Total Monthly Costs: \$19,188.24 + \$95 + \$9,600 = \$28,883.24/ 11 sites = \$2,625.75 per month per school - less 80% discount = \$525.15 per school per month.

SEND TECHNOLOGIES

1. Will provide network server support.
2. Will provide remote operating system and network software support for desktop computers.
3. No additional equipment charges.
4. No additional charges for email services.
5. No additional charges for web services.
6. If on-site labor after installation is required, costs will be \$60.00 per hour.
7. Will provide Web filtering at no additional cost.
8. Total Monthly Costs: \$2955 + \$2350 = \$5,305/11 sites = \$482.27 per school - less 80% discount = \$96.45 per school per month.

Document's Author - Mr. Snell

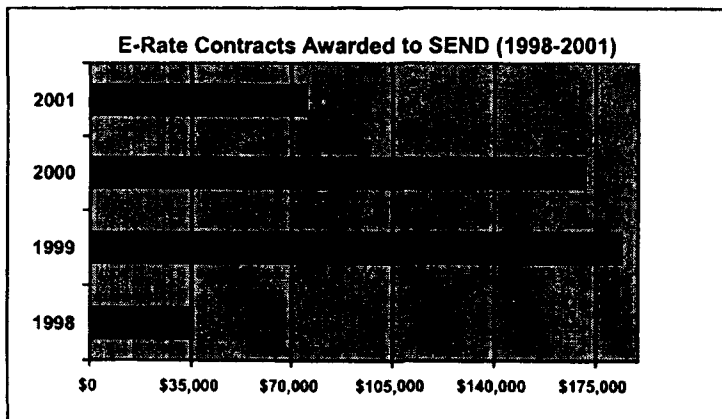
Mr. Snell admitted that he planned and applied for E-Rate funding with SEND as the ISP before the May 11, 1998, school board meeting. He explained that before forming the company (SEND), the school board contracted with MCSB to provide Internet access. At the time, Mr. Stevenson and Mr. Sit worked in the MIS department for MCSB. He added that the school board was pleased with the Internet access service received through MCSB so it was natural for Mr. Stevenson and Mr. Sit to continue to provide Internet access to the school district when SEND was organized. He stated that because of his ownership interest in SEND, the only concern the school board had was whether or not it was legal for the school district to do business with SEND. It should be noted that Mr. Snell, Mr. Stevenson, Mr. Sit, and Ms. Earle formed SEND two days before entering into business with Mr. Snell and Ms. Earle's employer, the school district.

Mr. Snell then provided us with a school district purchase order dated April 2, 1998, listing SEND as the ISP at a monthly rate of \$2,350 ($\$2,350 \times 15 \text{ months} = \$35,250$). The purchase order stated that the contract was contingent upon E-Rate funding and board approval. In addition, Mr. Snell stated that as the technology coordinator he administered the school board's contract with SEND once board members approved the school board to do business with SEND in May 1998.

The School Board Entered Into Contracts With SEND Without Approval of School Board Members.

Records indicate that E-Rate contracts totaling \$438,010 were awarded to SEND over the next three funding years (1999 to 2001) without the approval of school board members. Although approval of school board members was not required on these contracts, prudent business practices would require that the board be allowed the opportunity to review all contracts between the school board and its employees. By their nature, such contracts are inherently high risk in that an arm's length negotiation may not exist. According to minutes of the school board meetings, only one contract totaling \$7,500 appears to have been approved by school board members. Mr. Lazenby signed the contracts as the school board superintendent; however, it appears that Mr. Snell negotiated the contracts on behalf of the school board.

| UNION PARISH SCHOOL BOARD | | | |
|---|------------------------|------------------------------|----------|
| P.O. BOX 308 | | FARMERVILLE, LOUISIANA 71341 | |
| PURCHASE ORDER | | PURCHASE ORDER NO. 1590 G | |
| | | Date 4-2-98 | |
| Vendor <u>Send Technologies</u> | | Spin Number <u>193010002</u> | |
| Address _____ | | School <u>All + C.O.</u> | |
| Phone _____ | | Department _____ | |
| QUANTITY | DESCRIPTION OF ARTICLE | UNIT PRICE | TOTAL |
| | FLEX SERVICE C.O. | Monthly | |
| | Central Office | TL to Main | 1350.00 |
| | Berance High | TL to CO | 100.00 |
| | Dumasville High | TL to CO | 100.00 |
| | Farmerville Elem | 56/64K to Flex | 100.00 |
| | Farmerville High | TL to CO | 100.00 |
| | Farmerville Middle | 56/64K to Flex | 100.00 |
| | Willis Middle | 56/64K to Flex | 100.00 |
| | Limore High | TL to CO | 100.00 |
| | Madison High | TL to CO | 100.00 |
| | Rocky Branch Elem | 56/64K to Flex | 100.00 |
| | Spencer High | TL to CO | 100.00 |
| * This Contract is contingent upon Universal Service Fund (E-Rate) approval for Union Parish School Board for the above mentioned services. | | | |
| This contract is subject to approval by the Union Parish School Board | | | |
| TOTAL - THIS PAGE | | TAX | |
| GRAND TOTAL | | Monthly | 2,350.00 |
| Signed _____ | | Approved <u>Mike Lazenby</u> | |
| I received by _____ | | ORDER VOID UNLESS APPROVED | |
| PLACE ORDER NO ON YOUR INVOICES AND ALL INVOICES | | | |
| White - Vendor Yellow - School Board Office Pink - Return with Invoice | | | |



Mr. Snell stated that after SEND originally bid to become the school district's ISP, SEND was given the subsequent contracts for internal connections and technical support. Mr. Snell stated that after the first year it was implied that the school district would continue to do business with SEND and added that he handled the account.

The chart (left) indicates the amounts paid to SEND for E-Rate contracts with the school district during funding years 1998 to 2001. It should be noted that although SEND was partially owned by two school board employees, it appears that only one of the contracts (1998 Internet Access) was presented to and approved by school board members.

After Mr. Snell's appointment to the position of school district superintendent in June 2001, the Louisiana Board of Ethics ruled that Mr. Snell would be deemed to participate in every contract involving the school district. The school district was allowed to let its ongoing contracts with SEND lapse. SEND then agreed to donate future services to the school district.

SEND Charged the School District and USAC for Services Which Were Either Not Allowed or Not Provided.

The school district paid SEND \$1,340 for Internet installation and conversion costs though SEND's bid allowed no charges for these services. In addition, SEND charged USAC \$5,710 for ISP services for April, May, and June 1998 when these services were provided by MCSB not SEND.

Before receiving E-Rate funding, the school district purchased Internet access from MCSB. On June 6, 1998, MCSB invoiced the school district \$9,900, which included Internet access for April, May, and June 1998. This invoice was paid by the school district on August 4, 1998.

USAC records indicate that SEND was funded as the school district's ISP from April 1998 to June 1999 for \$35,250 (15 months @ \$2,350). The quarterly cost of Internet access to the school district was \$7,050 (3 months @ \$2,350), which is consistent with the school district's ISP contract with SEND. Of this amount, the school district was responsible for paying \$1,340 and USAC was responsible for paying \$5,710. During the funding year, SEND invoiced the school district and USAC for their respective portions of Internet access services provided from July 1998 to June 1999. These invoices resulted in payments to SEND totaling \$28,200 (12 months @ \$2,350) leaving the contract with a funded balance of \$7,050 (3 months @ \$2,350).

| Period | Service Provided by SEND | Amount Paid by USAC (81%) | Amount Paid by UPSB (19%) | Total |
|------------------------|---------------------------------|---------------------------|---------------------------|----------|
| April 1998 - June 1998 | ISP Service Charges (3 months) | 0 | 0 | 0 |
| July 1998 - Dec. 1998 | ISP Service Charges (6 months) | \$11,421 | \$2,679 | \$14,100 |
| Jan. 1999 - March 1999 | ISP Service Charges (3 months) | 5,711 | 1,339 | 7,050 |
| April 1999 - June 1999 | ISP Service Charges (3 months) | 5,711 | 1,339 | 7,050 |
| 1998 - 1999 | Installation/Conversion Charges | 5,710 | 1,340 | 7,050 |
| Total | | \$28,553 | \$6,697 | \$35,250 |

In June 1999, SEND invoiced the school district an additional \$1,340 for Internet installation and conversion costs in 1998-1999. However, in August 1999 SEND invoiced USAC for the discounted portion of the above charge (\$5,710) under the category of quarterly Internet access. Since the school district had already paid SEND for Internet services covering July 1998 through June 1999, this payment appears to have been made for the school district's Internet access during April, May, and June 1998. As discussed above, the Internet services for April-June 1998 were provided by MCSB.

SEND's invoices to the school district and USAC during this period totaled \$35,250 (15 months @ \$2,350). Mr. Snell stated that the conversion and installation fees charged during April, May, and June 1998 were the result of work SEND had to perform to its equipment in order to provide the school district Internet access. These charges were addressed in the document summarizing SEND's and LDS' ISP proposals on May 11, 1998. According to this document, SEND would not charge the school district for reprogramming and one-time start-up costs (see page 12).

From July 1, 1999, to June 30, 2000, SEND appears to have been paid \$12,184 in violation of the state constitution for on-site network support services performed during the following year.

On February 22, 1999, the school district contracted with SEND to provide on-site network support services. According to the agreement, SEND was to provide the school district with an on-site technician to work 40 hours per week for 52 weeks at an hourly rate of \$75 (2,080 total hours for a total contract cost of \$156,000).

Though normally payment is not made until services are rendered, SEND billed both the school district and USAC for 855 hours before these services were performed. The Louisiana Constitution prohibits the school district from making advance payments in this manner. These advance payments are equivalent to a loan.

On June 8, 2000, after only 1,204 documented work hours (21.20 hours per week), SEND invoiced the school district \$28,080 (19%) for its portion of the contract amount. In addition, USAC paid SEND \$126,360 (80%) of the contract amount during this same period. Therefore, SEND was paid a total of

From July 1, 1999, to June 30, 2000, SEND was paid \$64,125 for 855 hours of on-site technical support performed in the following year.

\$154,440 for 2,059 hours when only 1,204 hours were performed. As a result, SEND was paid \$64,125 for 855 hours of on-site technical support not performed during the contract period.

Mr. Gary Walsworth, a retired school district principal, stated that SEND hired him from July 1999 to July 2001, to provide network troubleshooting for the school district. Mr. Walsworth stated that when he reported to the school district, Mr. Snell directed him as to which schools needed service (another indication that Mr. Snell was materially involved in the day-to-day administration of the SEND contract). He stated that he was the technician that serviced all the schools in the district. According to Mr. Walsworth, he worked approximately 96 hours per month (1,152 hours a year) for SEND and added that he did perform work in other parishes. In addition to network troubleshooting, he stated that he installed computer lines, switches, and routers at the school district sites.

Mr. Snell stated that because the school district's Internet access contract with SEND only provided for technical support internally (from the walls to the computer terminals), a separate contract was necessary to provide support from the wall to SEND. He indicated that SEND hired Mr. Walsworth and assigned him to the school district as the on-site person. According to the agreement, Mr. Walsworth was to work 40 hours per week at the school district. He added that Mr. Walsworth was not the only SEND employee who worked at the school district. Mr. Snell could not provide us with an accounting of the actual time that SEND's employees worked for the school district.

Mr. Stevenson stated that the on-site network support contract covered a two-year period because USAC was slow in approving funds. He explained that Mr. Walsworth was assigned to work 20 hours per week strictly at the school district. Mr. Stevenson provided us with records indicating that SEND paid Mr. Walsworth \$20 per hour for a total of 1,204 hours during the contract period from July 1999 to June 2000. According to these records, it appears that SEND paid Mr. Walsworth for an additional 1,000 hours after the contract had ended during the period July 2000 to June 2001.

Because SEND did not provide 855 hours of on-site technical support to the school district during the period of the contract, it appears that the school district made payments to SEND totaling \$12,184 (\$64,125 x 19%) in violation of Article 7, Section 14 of the Louisiana Constitution. According to Article 7, Section 14 of the Louisiana Constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

From July 2001 to June 2002, SEND appears to have billed the school district improperly for enhanced Internet services that were not provided.

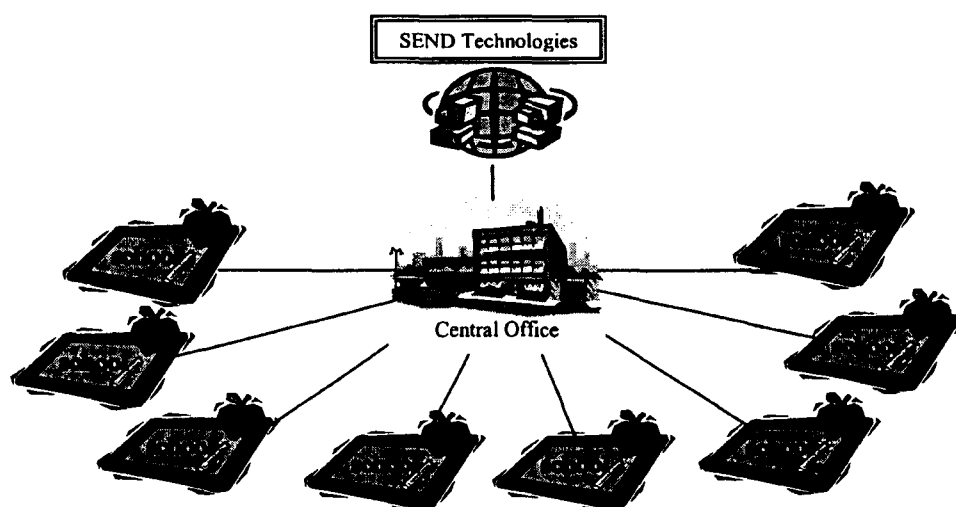
The school board contracted with SEND to provide Internet access to the school district's central office. The central office then acts as an ISP providing Internet access to each of the school district's ten school sites.

During the first two E-Rate funding years, SEND charged the school district \$2,350 per month for Internet access.

During E-Rate funding years 1998/99 and 1999/00, the school district awarded Internet access contracts to SEND totaling \$63,450. According to SEND's agreement, the configuration consisted of a connection from each school to the central office and a connection from the central office to SEND. Under this configuration, the central office provides Internet access to each

individual school site. The monthly cost to the school district was \$2,350, which included \$1,350 per month for a direct connection from SEND to the school district central office and \$1,000 per month for ten schools connected to the network.

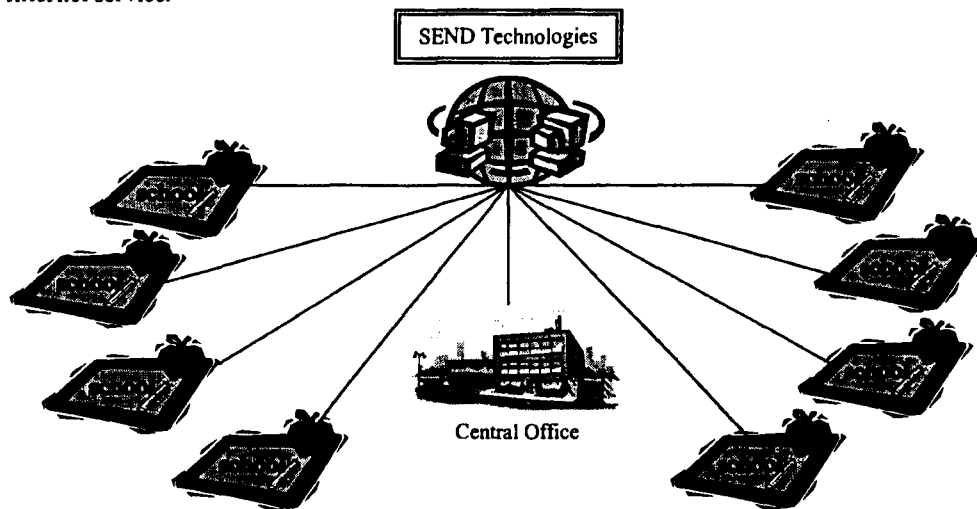
The diagram below illustrates the configuration through which the school district receives Internet access (through the central office) from SEND and then distributes the access to the school sites within the district.



During E-Rate funding years 2000/01 and 2001/02, the school district continued to pay SEND for ISP services; however, the cost increased significantly to \$75,000 each year. The school district could not provide us with a contract describing the services to be provided during the third funding year (2000/01). However, we noted that the cost of Internet access in the third year was the same as that of the fourth year. According to SEND's proposal for the 2001/02 funding year, SEND would provide the school district Internet access under a configuration by which each school site would have its own direct connection to SEND. This configuration would allow each school site to by pass the central office to receive faster Internet service. SEND's charges to the school district under this configuration increased to \$6,250 per month, which included a base charge of \$1,250 per month and \$5,000 per month for ten schools connected directly to SEND. This appears to have been the amount that SEND charged the school district during the 2000/01 funding year.

During the third and fourth E-Rate funding years, SEND charged the school district \$6,250 per month for Internet access.

The diagram below illustrates the configuration described in SEND's proposal for Internet access for the 2001/02 funding year. This configuration would allow each school site to by pass the central office to receive faster Internet service.



We discussed the school district's current (2001/02) Internet access contract with Mr. Snell. Mr. Snell explained that the school sites were not connected directly to SEND. He stated that the school district had planned to configure its infrastructure in a manner in which each school site was connected directly to SEND. However, Mr. Snell stated that the school district's infrastructure had not changed. As a result, the school district paid for enhanced services that it never received.

Mr. Stevenson confirmed that individual schools in the district were connected directly to the central office and not to SEND. He indicated that the per site charges were for an Internet access burst created as a result of the school sites access to the Internet going through the central office. It should be noted that this explanation does not agree with the contract.

Both Mr. Snell and Mr. Stevenson confirmed that the schools in the district are not directly connected to SEND. Mr. Snell further stated that the school district's networking infrastructure has not changed since the 1998/99 E-Rate funding year.

These actions indicate that one or more of the following laws may have been violated:

- 18 U.S.C. §666, "Theft or Bribery Concerning Programs Receiving Federal Funds"¹
- R.S. 14:67, "Theft"²
- R.S. 14:134, "Malfeasance in Office"³
- R.S. 14:140, "Public Contract Fraud"⁴
- Article 7, Section 14 of the Louisiana Constitution⁵

The actual determination as to whether an individual is subject to formal charge is at the discretion of the district attorney or the United States Attorney.

¹ 18 U.S.C. §666 provides, in part, that theft concerning programs receiving federal funds occurs when an agent of an organization, state, local, or Indian tribal government or any agency thereof embezzles, steals, obtains by fraud, or otherwise intentionally misapplies property that is valued at \$5,000 or more and is owned by or under control of such organization, state, or agency when the organization, state, or agency receives in any one year period, benefits in excess of \$10,000 under a federal program involving a grant contract, or other form of federal assistance.

² R.S. 14:67 provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

³ R.S. 14:134 provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

⁴ R.S. 14:140 provides, in part, that public contract fraud is committed when any public officer or employee shall use his power or position as such officer or employee to secure any expenditure of public funds to himself, or to any partnership to which he is a member, or to any corporation of which he is an officer, stockholder, or director.

⁵ Article 7, Section 14 of the Louisiana Constitution provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

Recommendations

We recommend that the school district (1) discontinue doing business with companies owned by school district employees, and (2) ensure that competitive bidding procedures, when used, are carried out appropriately. In addition, we recommend that the school district's technology coordinator, business manager, and members of the school district's finance committee review all E-Rate contracts and billings to ensure that payments are made for only those services that are provided. We further recommend that the District Attorney for the Third Judicial District of Louisiana and the United States Attorney for the Western District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

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Attachment I

Additional Information

Additional Information

School District Entered Into Contracts With a Company Partially Owned by Employees.

The Office of Legislative Auditor is aware of the position taken by the Louisiana Board of Ethics. However, although Mr. Snell did not own a controlling interest in SEND as defined by R.S. 42:1102(g), he was the school district's technology coordinator in charge of advising the school district and the superintendent on technology related issues. Mr. Snell was listed as the school district's contact person on USAC Form 470, the same form (Exhibit #1 of management's response) that the school district posted on USAC's Web site to nationally advertise for proposals. This created a situation in which prospective vendors would have had to contact Mr. Snell (part owner of a competitive vendor - SEND) to obtain information about potential E-Rate contracts with the school district. Though the Louisiana Board of Ethics may not consider this arrangement a violation of the state ethics laws, it increases the risk of unfair competition, fraud, or abuse to an unacceptable level and therefore should not be practiced by those entrusted with public funds. As discussed in the finding, Mr. Snell was actively involved in the award and administration of the SEND contract and therefore may have used his position in violation of R.S. 14:140, "Public Contract Fraud."

Competitive Bid Process Was Flawed.

The bid process was by its design ineffective and therefore did not ensure a fair and competitive result.

1. Mr. Snell, an owner of SEND, was listed as the contact person for potential bidders on the school district's initial advertisement.
2. The school district entered into a purchase order with SEND before the bid process.
3. Potential bidders were severely restricted in the time they had to respond and though SEND had an owner inside the school district, other bidders were not afforded the opportunity to clarify or discuss any of the proposed specifications before the bid.
4. Mr. Snell participated in the preparation of the document provided to school board members comparing the bids received.

Had the school district desired to ensure a fair environment and promote the greatest level of competition the school board could have:

1. Removed Mr. Snell as contact person for potential bidders and involvement in bid tabulations
2. Delayed entering into premature agreements with SEND
3. Allowed ample time for potential bidders to respond and to access unbiased information regarding the proposed specifications

It is also important to note the following:

- During the 1998/99 E-Rate period, Mr. Stevenson, acting as the fiscal agent for a consortium of school districts (which included Union Parish), purchased hardware for the school district such as cabling, servers, network routers, hubs, and other equipment necessary for the school district to obtain Internet access. Mr. Stevenson's involvement in this process with Union Parish School Board provided him (SEND) with information other vendors did not have access to during the bidding process.
- Other vendors had only five days to respond to the bid without the benefit of obtaining additional information from the school board. This may have forced LDS to include certain unnecessary equipment costs in its bid.

The School Board Entered Into Contracts With SEND Without Approval of School Board Members.

Management stated that Mr. Snell did not negotiate nor sign any contracts between SEND and the school board and until he became superintendent in June 2001, had no authority to enter into contracts on behalf of the school district. Management further stated that it was Mr. Snell's job to advise the superintendent and the district on technology questions for Union Parish.

- After the initial contract with SEND in 1998, the school board entered into additional contracts with SEND for ISP services, network support services, software services, and internal connections. Mr. Snell stated that once the school board approved him to do business with SEND in May 1998, it was implied that he could continue to do business with SEND on subsequent contracts.
- During our review of subsequent minutes to school board meetings, we found no evidence to indicate that the board approved additional contracts between the school board and SEND. Furthermore, we could find no evidence to indicate that additional quotes from other vendors were obtained to ensure the school board that SEND was the most cost effective service. Furthermore, if Mr. Snell recused himself in regard to negotiations with SEND, the question arises as to who represented the school district on the technology related issues (ISP services, network support services, software services, and internal connections) when dealing with SEND. Evidence including the initial advertisement, the bid comparison provided to the school board members, and statements of a SEND

employee indicates that Mr. Snell materially participated in both the award and administration of the SEND contract.

SEND Charged the School District and USAC for Services Which Were Either Not Allowed or Not Provided.

Management states the finding is incorrect because the billed services were performed and allowed. Management's response ignores the facts in that:

1. The original contract specifically provided that there would be no additional charges for installation, conversion, and reprogramming. The amended contract was entered into seven months after the services were provided if provided at all. The amended contract itself is highly suspect because it, in itself, is exactly what can happen when a conflict of interest exists between a member of management and a vendor.
2. SEND billed these costs as installation and conversion costs to the school district but as quarterly Internet access to USAC—two separate and distinct types of service.

From July 1, 1999, to June 30, 2000, SEND appears to have been paid \$12,184 in violation of the state constitution for on-site network support services performed during the following year.

On March 11, 2002, Mark Stevenson, owner and general manager of SEND, told auditors that the contract dated February 22, 1999, covered a two-year period and that a SEND employee (Gary Walsworth) was assigned to work strictly at the Union Parish School Board for 20 hours each week. When asked to provide documented work hours under this contract, Mr. Stevenson provided auditors with a report indicating that SEND had paid Mr. Walsworth for 1,204 work hours from July 1999 to June 2000 and an additional 1,000 hours for July 2000 to June 2001. Mr. Stevenson then provided auditors with a Service Hours Report for the period July 30, 1999, to September 30, 2001, indicating an additional 340 documented hours. At no time did Mr. Stevenson indicate the existence of or provide to auditors a "Paper" Time/Travel summary of additional documented work hours that was included in management's response of August 23, 2002.

Management's response also states that the contract of February 22, 1999, provided for on-site technical support, network programming, and specialized installation services. However, SEND's response for proposals for ISP Services (a separate contract that the school board entered into with SEND) states that SEND will provide (1) all programming and support to maintain Internet support for the subscriber; (2) remote programming and support for individual routers; (3) router software updates installation; (4) configuration, management, and diagnostic troubleshooting for related telco interfaces; (5) remote Internet client software support; and (6) software updates for Internet programming and services as available. None of the records provided by Mr. Stevenson or management have indicated whether the documented work hours were included under the Network Support Services contract or the ISP Services contract.

From July 2001 to June 2002, SEND appears to have billed the school district improperly for enhanced Internet services that were not provided.

Auditors concluded that the school district's networking configuration had not changed because (1) SEND's proposal for 1998 Internet access provided for T-1 point-to-point links from the school sites to the central office; (2) the school board's contract with SEND for 1999 Internet access provided for T-1 point-to-point links from the school sites to the central office; and (3) although the school district could not provide documentation indicating the configuration in place during 2000, Mr. Snell stated that the configuration was the same configuration in place during the 1998 and 1999 funding years.

Mr. Snell further explained that the school district had T-1 point-to-point links from the school sites to the central office during the 2001 funding year. This configuration conflicts with SEND's proposal for 2001 Internet access which states that SEND would provide T-1 point-to-point links from the school sites direct to SEND's offices in Monroe. Both Mr. Snell and Mr. Stevenson confirmed that the school district's school sites did not have T-1 links to SEND's offices during the 2001 funding year.

Attachment II

Management's Response

LAW OFFICES
RANKIN, YELDELL & KATZ
A PROFESSIONAL LAW CORPORATION
411 SOUTH WASHINGTON
BASTROP, LOUISIANA 71220

JAMES E. YELDELL

ALEX W. RANKIN

STEPHEN J KATZ

TELEPHONE
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318-281-4913

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08/22/02 11:53

August 22, 2002

**FORWARDED VIA
FEDERAL EXPRESS**

Daniel G. Kyle
Legislative Auditor
State of Louisiana
1600 North 3rd Street
Baton Rouge, Louisiana 70804-9397

RE: Union Parish School Board

Dear Dr. Kyle:

Enclosed is the response to the investigative audit report, Union Parish School Board.

It is a reply to the preliminary draft. It is not possible to make a reply to the final report, if there have been any changes to the preliminary draft, as indicated there would be, because neither the Union Parish School Board nor its Superintendent was provided a copy of the final draft.

Sincerely,

Rankin, Yeldell & Katz
(A Professional Law Corporation)

By:


Stephen J. Katz

SJK/mt

encl.

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Management Response to Investigative Audit Report

Allegations of impropriety should be based on substantive factual analysis, not speculative innuendo, hearsay, and conjecture. The findings of the Legislative Auditor show that the investigation centered on proving improprieties and not finding the truth. Although the Louisiana Ethics Board repeatedly validated the correctness of SEND Technologies, L.L.C. (SEND), the Union Parish School Board, and Mr. Snell's actions, the Legislative Auditor was determined to find graft and corruption even when the facts confirmed none was present. As will be shown in this response, the Legislative Auditor ignored facts that proved that SEND, the Union Parish School Board, and Mr. Snell acted in a professional manner.

1. **CREATING A CONFLICT OF INTEREST BY ENTERING INTO
CONTRACTS WITH A COMPANY PARTLY OWNED BY ITS EMPLOYEES**

The Legislative Auditor's report states that because the Union Parish School Board entered into a contract with SEND in April, 1998, to provide modern communications and information services, a conflict of interest resulted because Mr. Tom Snell and Mrs. Bobbye Earle were each 15% owners of SEND. The Auditor's report also notes that Mrs. Earle and Mr. Snell received collectively 41% of the distributions from SEND during the year 2000.

LSA R.S. 42:1102(8) defines "Controlling Interest" as "any ownership in any legal entity or beneficial interest in a trust, held by or on behalf of an individual or a member of his immediate family, either individually or collectively, which exceed twenty five (25%) percent of that legal entity." (EMPHASIS ADDED)

This question was addressed by the Louisiana Board of Ethics, Docket Number 2001-280, in an opinion rendered on January 24, 2002. The Board determined that no violation

occurred since the ownership interest was less than 25%. On April 11, 2002, the Board meeting in regular session accepted the disqualification procedure whereby, as long as Mr. Snell was superintendent of the District, the services from SEND would be provided free of charge.

The question as to whether Mr. Snell had a conflict of interest in this matter was investigated by the Louisiana Ethics Commission and a report was rendered on January 24, 2002 stating that no ethical violation had occurred. Likewise none should be found here.

The Auditor's Report states that Mrs. Earle and Mr. Snell owned 15% each of SEND which is certainly well below the 25% requires by LSA R.S. 42:1102(8). The Report also implies that because in the year 2000, 41% of the distributions was received by Mrs. Earle and Mr. Snell, this created a conflict of interest. The distribution in the year 2000 had absolutely nothing to do with the contract entered into in 1998; however, assuming *arguendo* that it did, half of 41% is 20.5% each which is still below the provisions of LSA R.S. 42:1102(8).

There is absolutely no legal or factual basis to report that a conflict exists between SEND and Mrs. Earle and Mr. Snell while both were employed by the Union Parish School Board.

2. BYPASSING THE COMPETITIVE BIDDING PROCESS

Although a competitive bid other than submission of the form 470 process is not required for professional services, *See Louisiana v. McIlhenry*, 9 So. 2d 467, 470 (La. 1942); *Louisiana Attorney General Op. Atty. Gen., No. 92-492*, Sept. 4, 1992, the Union Parish School System initiated a proposal for quotes to ensure it received quality services at the best possible price.

On March 4, 1998, the Union Parish School System posted a national advertisement for proposals (Form 470) (Exhibit 1). Various telecommunications services vendors throughout the country were given 28 days to review the request and to submit a response. No national vendors

responded to the request except SEND. As required by USAC guidelines, a Form 471 was submitted to USAC indicating a contract date between SEND and the School System. Based on the USAC requirement that a contract be in place, a contract that provided an escape provision should the School System elect not to use SEND, was executed between SEND and the School System.

On April 28, 1998, Mr. Lazenby executed the escape provision in the contract and set up a meeting between Mr. Stevenson and the Union Parish School Board Finance Committee to discuss services and cost. The Finance Committee agreed to do business with SEND provided there were no legal reasons why SEND would be prohibited to doing business with the School System. Prior to making a final recommendation for approval of the new contract, the finance committee asked Mr. Lazenby, the Superintendent, to obtain additional quotes to provide a comparison to SEND's offer.

On May 6, 1998, a request for quotes was sent to prospective service providers. The quotes were due no later than May 11, 1998, the day of the next Board meeting. SEND's quote did not change. A quote was received from LDS (Long Distance Savers) that was almost five times higher than SEND's quote.

On May 11, 1998, a comparison document originated by the Superintendent's office was provided to the Board members. The undisputed data contained in that document demonstrated the SEND proposal was overwhelmingly superior to that of LDS. After receiving a favorable recommendation from the Finance committee, the Board authorized Mr. Lazenby, the Superintendent, to enter into a contract with SEND.

Even though SEND provided more service at 1/5 the price quoted by LDS, the Legislative Auditor argues that the School System bypassed the competitive bid process. This

allegation is without merit. Professional services are not required to be bid. The School System complied with USAC advertising requirements and extended the process after the initial decision to validate the process. The School System should not be criticized when it takes additional precautionary steps not required by law.

3. CLAIM THAT MR. SNELL ENTERED INTO CONTRACTS WITHOUT THE APPROVAL OF SCHOOL BOARD MEMBERS

The report states that Mr. Snell entered into contracts between SEND and the District without School Board approval. This finding is without merit for the following reasons:

- A. Mr. Snell's job description states that he was to advise the Superintendent and the Board on technology questions for Union Parish. (exhibit 2) Mr. Snell did not sign any contract between SEND and the District. After Mr. Snell became Superintendent in June, 2001, he requested a ruling from the Ethics Board to determine if SEND could provide service free to the district to assure there would be no conflict. The Ethics Board ruled that SEND could donate services to the Union Parish School Board (exhibit 3).
- B. Mr. Lazenby was Superintendent when the Internet contract was entered into and was certainly aware that Mrs. Earle and Mr. Snell owned an interest in SEND. In fact, Mr. Lazenby went the extra step to instruct Mrs. Cranford to get additional comparable quotations even though no additional action was required. LDS submitted a quote which was five times the cost of the SEND proposal. Mr. Lazenby correctly took the lower quote and so recommended same to the Board.
- C. Until Mr. Snell became Superintendent in June, 2001, he had no authority to enter into contracts on behalf of the District, but to only advise, which he did

very competently pertaining to technology issues, but he recused himself in regard to negotiations with SEND. Every precaution was taken by Mr. Lazenby to assure the Board that SEND was the most cost effective service and that Mr. Snell was dealing with the Board in an open and arms-length relationship. The contracts and purchase orders referenced were not signed by Mr. Snell, but were signed by Superintendent Lazenby. Mr. Snell never negotiated those contracts; Mr. Lazenby did.

For these reasons, the finding of the Report is without merit either factually or legally.

4. PAYING FOR SERVICES THAT WERE EITHER NOT ALLOWED OR NOT PROVIDED

The Legislative Auditor's report states that Union Parish School Board and Monroe City School System were both paid for the same services for April, May, and June of 1998, thus resulting in a duplication of payments. This finding is incorrect because the billed services were performed and allowed.

The original contract provided for a minimum term of ISP service starting in April, 1998. (Exhibit 4). Due to delays from the District, the actual start date was July, 1998. USAC subsequently required all school districts to initiate an amended contract due to a change in the funding cycle. The amended contract was approved by Superintendent Lazenby in February, 1999. (Exhibit 5) The amended contract allowed for installation charges to be negotiated in case of delayed implementations.

Conversion expenses were incurred by SEND to convert the ISP services from MCSB to SEND and also to provide support services for April, May, and June even though the start date was not until July, 1998. Based upon the delay in the implementation of the start date, not only

were the services provided and allowed but a substantial amount of services were rendered with little or no compensation either from the District or USAC.

5. ISSUING PAYMENTS TO SEND IN VIOLATION OF THE STATE CONSTITUTION

The Report states that 855 hours were billed to the District and USAC prior to these services being performed in violation of Article 7, Section 14 of the Louisiana Constitution. This finding lacks merit because not only did SEND supply service beyond the requirements of the contract, but no services were billed prior to the work being performed.

The contract of February 22, 1999, provided for on-site technical support, network programming, level support, and specialized installation services. The contract does not specify that all time be committed "on-site", but does commit to a total of 2,080 hours. The original term of the services would have been from July, 1999 through September 30, 2000. Due to the delayed approval, USAC allowed the original term to be extended to end on September 30, 2001.

During the original services term ending September 30, 2000, SEND provided a minimum of 2,090 hours of on-site support for the District. SEND additionally supplied several hundred more hours of network programming support from in-office personnel that was not allocated or charged to the District. The charged hours were a combination of Mr. Walsworth assigned part-time to the District and Monroe based technicians dispatched to the District.

SEND maintained travel and time summary records for dispatched services on paper forms during funding year (July, 1999 - September, 2000) and moved to a computerized summary in funding year 2000 (October, 2000 - September, 2001).

In summary: In funding year 1999 the following hours were worked by SEND employees on-site in the District:

| | |
|---|---|
| Gary Walsworth - "Paper" Time/Travel Summary | 1,204 (per Legislative Auditor's Report) 886 (Exhibit 6) |
| TOTAL ACTUAL HOURS | 2,090 |
| BILLED HOURS | 2,059 |

Additional time provided the following year 2000 represents over \$75,000 of pro-bono provided by SEND. Neither the District nor USAC were billed for the additional time.

6. PAYING SEND FOR ENHANCED SERVICES THAT WERE NEVER PROVIDED

The Report notes that the billing rate with SEND increased between the second and third year, and incorrectly states that the District had paid for enhanced services that it had not received. The Report also states that the District could not provide the auditors with a contract describing the services to be rendered. The Report takes a giant leap and assumes without factual basis that the increased fee represents the creation of a different configuration other than using the District's central office as the routing hub. This giant leap by the report is also flawed in that SEND has consistently provided enhanced and improved services to the District.

The report stating that the networking infrastructure has not changed since 1998 is not accurate. The 1998 configuration provided low-speed 56KB services from schools direct to SEND. The initial service cost was therefore based on a minimum service level requirement. In 1999, the District upgraded to high-speed TI services, arranging services in an aggregated star configuration with school connecting through the School Board Office. SEND did not increase pricing in 1999, although service requirements increased significantly. SEND provided a higher cost quotation in 2000 based on the aggregated TI configuration in place since 1999.

The proposal for 2001 allowed the option for the District to revert to direct connection configuration. The cost of the optional reconfiguration, however, was the same as the existing star configuration cost of the prior year. The District received enhanced services in Year 4 with upgraded DS3 service from SEND to the national backbone; significantly enhanced security, mail and routing services required for industry and government standards; and additional customer services personnel provided by SEND to support school Internet service. SEND provided the option for the District to connect to SEND under either method, but reduced the price of direct connections to match the price of the aggregated connection. See page 10 of proposal. (Exhibit 7) SEND's billing to the District for July, 2001 to June, 2002 was appropriate and pursuant to contract.

Since June of 2002, SEND has been providing internet services to the District free of charge. It should be noted that at the time that the decision was made to offer the services free, there was no investigation under way by the Legislative Auditor's Office. The donation of services by SEND is in compliance with LA R.S. 42:1123(28) and has been approved by the Louisiana Board of Ethics. (Exhibit 3).

The Union Parish School Board will continue to follow the provisions of the Louisiana Revised Statutes and guidance of the Louisiana Board of Ethics regarding contractual arrangements with its employees. It shall follow USAC guidelines and Louisiana law in the awarding of contracts and in the payment for such services.

Exhibit #1

FCC Form

Approval by OMB
3060-0806

470

Schools and Libraries Universal Service Description of Services Requested and Certification Form

Estimated Average Burden Hours Per Response: 8.0 hours

This form is designed to help schools and libraries describe the eligible telecommunications-related services they seek so that this data can be posted on a website and interested service providers can identify the applicant as a potential customer and compete to serve it.

Please read instructions before completing.

(To be completed by entity that will negotiate with providers.)

Block 1: Applicant Address and Identifications (School, library, or consortium desiring Universal Service funding.)

| |
|---|
| Posting Date: 03/04/1998 |
| Allowable Contract Date: 04/01/1998 |
| Certification Received Date: 03/20/1998 |

| | | | |
|--|--|--|--|
| 1. Name of Applicant: UNION PARISH SCHOOL DISTRICT | | 2. Funding Year: 01/01/1998 - 06/30/1999 | |
| 3a. NCES School Code (if individual school) Or NCES Library Code (if individual library) State: - District: - School/Library: | | | |
| 3b. Universal Service Control Number: 503550000056962 | | 3c. Applicant ID Number: 153438 | |
| 4a. Type Of Applicant (Check only one box.) <input type="radio"/> school <input checked="" type="radio"/> school district <input type="radio"/> library or library consortium under the LSTA <input type="radio"/> consortium of multiple entities | | | |
| 4b. If Applicant is a consortium, check all other boxes that apply: <input type="checkbox"/> includes non-governmental entities ineligible for support <input type="checkbox"/> entity desires separate bills for each member of consortium <input type="checkbox"/> entity desires separate bills for some members of consortium <input type="checkbox"/> region of a state <input type="checkbox"/> statewide <input type="checkbox"/> multi-state | | <input type="checkbox"/> state educational agency <input checked="" type="checkbox"/> local educational agency <input type="checkbox"/> educational service agency | |

5. Applicant's Street Address, P.O.Box, or Route Number

| | | | |
|---|--------------------|--|-----------------|
| Street MARIAN HIGHWAY | | | |
| City FARMERVILLE | State LA | Zip Code 5Digit 71241 | Zip Code 4Digit |
| Telephone number Ext: (318) 3689715 | | E-mail Address tsnell@monroe.k12.la.us | |

6. Contact Person's Name: Tom Snell

| | | | |
|---|--|---------------------------------------|-----------------------------|
| Street Address, P.O.Box, or Route Number (if different from Item 5) Street: | | | |
| City: | State | Zip Code 5Digit: | Zip Code 4Digit: |
| Fill in all of the following (if available), and check the preferred mode of contact: | | | |
| <input checked="" type="radio"/> Telephone Number Ext: (318) 3683311 | <input checked="" type="radio"/> Fax Number Ext: (318) 3683311 | <input type="radio"/> E-mail address: | <input type="radio"/> Mail: |

Block 2: Other Characteristics Of Applicant

| | |
|--|---|
| 7a. Number of students: 3910 | 7b. Number of library patrons: |
| 8. Number of buildings to be served: 30 | 9. Number of rooms to be served: 288 |

Block 3: Summary Description of Needs or Services Requested

| | | | | |
|--|--------------------------|------------------------------------|-------------------------------|---------------------------|
| 10. <input type="checkbox"/> Check if applicant seeks discounts only for eligible services based on one or more existing, binding contract(s) and proceed to Block 4. | | | | |
| Sequence # | Date Contract Signed | Contract Termination Date | | |
| 11. <input checked="" type="checkbox"/> Check here if you have a Request for Proposal(RFP) available. If RFP is posted on a website, provide the website address | | | | |
| (1) | (2) Existing Services | (3) Additional Services Desired | (4) Total Services Desired | (5) Details (Optional) |
| 12. Telecommunications Services | | | | |
| a. Number of phones that have or require service (See instructions concerning extension phones and fax machines.) | | | | |
| b. Number of computers that have or require service | | | | |
| c. Number of high bandwidth video conferencing links | | | | |
| d. Specify other (Optional) | | | | |
| 13. Internal Connections | Existing | Additional | Total | Details |
| a. Number of buildings with at least some rooms connected | 17 | 13 | 30 | |
| b. Number of rooms connected | 120 | 168 | 288 | |
| c. Highest Speed of connection | 10mb | 100mb | | |
| d. Specify other (Optional) | | | | |
| 14. Internet Access | Existing | Additional | Total | Details |
| a. Number of dial up connections necessary | | | | |
| b. Highest speed of dial up connections | | | | |
| c. Number of direct connections necessary | 11 | 0 | 11 | |
| d. Highest speed of such direct connections | 56k | T1 | | |
| e. Specify other (Optional) | | | | |
| 15. You may provide additional summary information about the services you are requesting to help service providers identify your needs more precisely. You may provide technical requirements or give an informal description of your telecommunications-related goals. | | | | |
| The district is requesting high speed digital data circuits for schools to provide Internet access. The district is requesting ISP services for schools and classrooms including EMAIL support. The district is requesting additional CAT 5 wiring in schools. | | | | |
| 16. <input checked="" type="checkbox"/> Check here if there are any restrictions imposed by state or local laws or regulations on how and when providers may contact you or on other bidding procedures. Please describe below any such restrictions or procedures. You may attach restrictions or give website where they are posted. | | | | |
| District operates under La Title 38 and applicable state statutes. | | | | |
| 17. Purchases in future years: If you have current plans to purchase additional services in future years, describe them below (Providing this information is optional.) | | | | |

Block 4: Technology Assessment

18. Although the following services and facilities are ineligible for support, they are usually necessary if schools and libraries are to make effective use of the eligible services requested in this application.

(If your application is only for basic voice telephone service, check this box

☐ and go to Item 19. Otherwise, you must check at least one box in each of the other lines. You may provide details for purchases being sought.)

| |
|---|
| a. Desktop communications software: Software required <input checked="" type="checkbox"/> has been purchased; and/or <input type="checkbox"/> is being sought. |
| b. Electrical systems: <input checked="" type="checkbox"/> adequate electrical capacity is in place or has already been arranged; and/or <input type="checkbox"/> upgrading for additional electrical capacity is being sought. |
| c. Computers: a sufficient quantity of computers <input checked="" type="checkbox"/> has been purchased; and/or <input type="checkbox"/> is being sought. |
| d. Computer hardware maintenance: adequate arrangements <input checked="" type="checkbox"/> have been made; and/or <input type="checkbox"/> are being sought. |
| e. Staff development: <input checked="" type="checkbox"/> all staff have had an appropriate level of training or additional training has already been scheduled; and/or <input type="checkbox"/> training is being sought. |
| f. Additional details: Use this space to provide additional details to help providers to identify the services or facilities you desire. |

Block 5: Listing Consortium Participants

19. **Eligible Entities:** (Billed Entities.) If applicant is an individual school or a library or a school district or a library system that will receive only one bill, it should only fill in the first row of this chart. If applicant is a consortium of multiple billed entities, then it should fill out a row for each billed entity. (Applicant may attach additional pages.)

| Billed Entity | Billed Entity's Zip Code | Billed Entity Code (Inserted by Administrator) | Zip Code(s) of Recipients of Service |
|------------------------------|--------------------------|---|--------------------------------------|
| UNION PARISH SCHOOL DISTRICT | 71241 | 139313 | 71222 |
| UNION PARISH SCHOOL DISTRICT | 71241 | 139313 | 71234 |
| UNION PARISH SCHOOL DISTRICT | 71241 | 139313 | 71241 |
| UNION PARISH SCHOOL DISTRICT | 71241 | 139313 | 71256 |
| UNION PARISH SCHOOL DISTRICT | 71241 | 139313 | 71260 |
| UNION PARISH SCHOOL DISTRICT | 71241 | 139313 | 71277 |

20. **Entities Ineligible for Schools and Libraries Discount:**

| Name of Entity | Zip Code(s) of Recipients of Service | Contact Person | Phone Number, E-mail Address, or Alternative Preferred Contact Method |
|----------------|--------------------------------------|----------------|---|
|----------------|--------------------------------------|----------------|---|

Block 6: Certifications and Signature

| |
|---|
| 21. The applicant includes:(Check one or both) |
| a. <input checked="" type="checkbox"/> schools under the statutory definitions of elementary and secondary schools found in the Elementary and Secondary Education Act of 1965, 20 U.S.C. Secs. 8801(14) and (25), that do not operate as for-profit businesses, and do not have endowments exceeding \$50 million; and/or |
| b. <input type="checkbox"/> libraries or library consortia eligible for assistance from a State library administrative agency under the Library Services and Technology Act of 1996 that do not operate as for-profit businesses and whose budgets are completely separate from any school(including, but not limited to) elementary and secondary schools, colleges, and universities. |
| 22. All of the individual schools, libraries, and library consortia listed above in item 19 are covered by: |
| a. <input checked="" type="checkbox"/> individual technology plans and/or |
| b. <input type="checkbox"/> higher-level technology plans for using the services requested in this application(if those services consist of other than voice services). |
| 23. Status of technology plan(check one): |
| a. <input type="checkbox"/> Technology plan(s) has/have been approved, or |
| b. <input type="checkbox"/> Technology plan(s) will be approved by a state or other authorized body; or |
| c. <input checked="" type="checkbox"/> Technology plan(s) will be submitted to Schools and Libraries Corporation for approval. |
| 24. <input checked="" type="checkbox"/> I certify that the services the applicant purchases at discounts provided by 47 U.S.C. Sec. 254 will be used solely for educational purposes and will not be sold, resold, or transferred in consideration for money or any other thing of value. |
| 25. <input checked="" type="checkbox"/> I recognize that support under this program is conditional upon the school(s) or library(ies) I represent securing access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to use the services purchased effectively. |
| 26. <input checked="" type="checkbox"/> I certify that I am authorized to submit this request on behalf of the above-named applicant, that I have examined this request, and to the best of my knowledge, information, and belief, all statements of fact contained herein are true. |
| 29. Printed name of authorized person Tom Snell |
| 30. Title or position of authorized person Technology Systems Administrator |

[New Search](#)
[Return To Search Results](#)



JOB DESCRIPTION

Technology Systems Administrator

TITLE: Technology Systems Administrator

QUALIFICATIONS: Valid Louisiana Teaching Certificate
Experience in development and management of technologies.

REPORTS TO: Superintendent

PERSONNEL EVALUATION RESPONSIBILITY: None

JOB GOALS: To make available to all students educational opportunities that will provide them with the technology skills to function successfully in life; to provide staff development.

Performance Responsibilities

1. Functions of the Technology Systems Administrator:
 - a. Provide leadership in the development and/or dissemination of materials in area of technology multimedia
 - b. Develop, implement and evaluate special multimedia programs
 - c. Develop, implement and evaluate professional development programs
 - d. Keep abreast of new trends
 - e. Makes recommendations promoting the improvement of multimedia programs
 - f. Obtains outside consultants according to established policy

Technology Systems Coordinator

Page 2

- g. Coordinates with the principal site-based multimedia activities**
- h. Provides assistance to principals in:**
 - (1) Developing technology plan**
 - (2) Maintaining and assessing effectiveness of technology plan**
 - (3) Determining the best usage of technology materials and equipment**
 - (4) Multimedia supervision**
 - (5) Areas of special need**

2. Critical Responsibilities

- a. Continues professional growth and development**
- b. Adheres to standards of ethical behavior**
- c. Adhere to local school board policies, procedures, and philosophy**
- d. Assume management responsibilities and decisions in area of specialization**
 - (1) Participating in personnel orientation**
 - (2) Planning and implementing in-service training**
 - (3) Preparing and administering technology related budgets**
 - (4) Making presentations to the school board when requested**
 - (5) Maintaining accurate and timely records/reports**
 - (6) Maintaining an effective system of distribution of equipment and materials to schools**
 - (7) Participating in site-based facility planning for technology**
 - (8) Planning & implementing technology programs and activities as mandated by the local school board, the State Department of Education, or other governing agencies, and**
 - (9) Working with principals in implementing programs, services, and resolving technology problems**

Technology Systems Administrator

Page 3

- e. **Communication and interpersonal relationship**
 - (1) **Interpreting technology programs to the community**
 - (2) **Addressing concerns in area of responsibility**
 - (3) **Preparing and disseminating communications regarding technology plan**

- f. **Personal qualities**
 - (1) **Reveals a positive attitude and sets appropriate models as evidenced by:**
 - (a) **Appearance**
 - (b) **Relationships**
 - (c) **Use of standard English**
 - (2) **Demonstrates competency in areas of responsibilities**

3. Other Requirements

Adheres to the regulations, policies, and procedures established by the State Board of Elementary and Secondary Education, the State Department of Education, and the local School Board, and/or other official publications.

Evaluation: Performance will be evaluated in accordance with the provisions of the School Board's policy on evaluation of personnel.

May 20, 1997
Date

Tom Snell
Employee's Signature

Exhibit #3



STATE OF LOUISIANA
DEPARTMENT OF STATE CIVIL SERVICE
LOUISIANA BOARD OF ETHICS
8401 UNITED PLAZA BOULEVARD
SUITE 200
BATON ROUGE, LA 70809-7017
(225) 922-1400
FAX: (225) 922-1414
1-800-842-6630
www.ethics.state.la.us

April 15, 2002

Stephen J. Katz
411 South Washington
Bastrop, LA 71220

RE: Ethics Board Docket No. 2002-133

Dear Mr. Katz:

The Board of Ethics, at its April 11, 2002 meeting, considered the disqualification procedure you submitted regarding the Union Parish School Board handling any matters involving the current contract between Send Technologies and the school system while Tom Snell, who owns an interest of less than 25% in Send Technologies, serves as Superintendent for the school system. Further, you stated that if Send Technologies provides services to the Union Parish School Board in the future, that such services will be provided free of charge.

The Board concluded, and instructed me to inform you that it approved the disqualification plan. Further, the Board concluded that Section 1123(27) of the Code of Governmental Ethics would allow Send Technologies to donate services to the Union Parish School Board.

If you have any questions, please feel free to contact me.

Sincerely,

LOUISIANA BOARD OF ETHICS

A handwritten signature in black ink, appearing to read "Jennifer G. Magness", with a long, sweeping horizontal line extending to the right.

Jennifer G. Magness
For the Board

EB:JGM

UNION PARISH SCHOOL BOARD

P. O. BOX 308

FARMERVILLE, LOUISIANA 71241

PURCHASE ORDER

PURCHASE
ORDER NO 1590 G

Date 4-2-98

Vendor Send Technologies Spin Number 143010002

Address _____

Funds _____

School All + C.O.

Department _____

| QUANTITY | DESCRIPTION OF ARTICLE | UNIT PRICE | TOTAL |
|---|---|----------------|-----------------|
| | <u>FLEX SERVICE C.O.</u> | <u>Monthly</u> | |
| | <u>Central Office</u> <u>TI to Monroe</u> | <u>1350.00</u> | |
| | <u>Bernice High</u> <u>TI to CO</u> | <u>100.00</u> | |
| | <u>Downsville High</u> <u>TI to CO</u> | <u>100.00</u> | |
| | <u>Farmerville Elem</u> <u>56/64K to Flex</u> | <u>100.00</u> | |
| | <u>Farmerville High</u> <u>TI to CO</u> | <u>100.00</u> | |
| | <u>Farmerville Middle</u> <u>56/64K to Flex</u> | <u>100.00</u> | |
| | <u>Lillie Middle</u> <u>56/64K to Flex</u> | <u>100.00</u> | |
| | <u>Linville High</u> <u>TI to CO</u> | <u>100.00</u> | |
| | <u>Marion High</u> <u>TI to CO</u> | <u>100.00</u> | |
| | <u>Rocky Branch Elem</u> <u>56/64K to Flex</u> | <u>100.00</u> | |
| | <u>Spearville High</u> <u>TI to CO</u> | <u>100.00</u> | |
| * This Contract is contingent upon Universal Service Fund (E-RATE) approval for Union Parish School Board for the above mentioned services. | | | |
| This contract is subject to approval by the Union Parish School Board | | | |
| | TOTAL - THIS PAGE | | |
| | TAX | | |
| | GRAND TOTAL | <u>Monthly</u> | <u>2,350.00</u> |

Signed _____

Approved _____

SUPERINTENDENT

Received By _____

ORDER VOID UNLESS APPROVED

*PLACE ORDER NO. ON YOUR INVOICES AND ALL PACKAGES.

White - Vendor

Yellow - School Board Office

Pink - Return with Invoice

SEND Technologies, L.L.C.

1900 Lamy Lane, Suite H

Monroe, LA 71201

(318) 340-0750

(318) 340-0580 (FAX)

SERVICES ORDER

Union Parish School District agrees for SEND Technologies, L.L.C., 1900 Lamy Lane, Suite H, Monroe, LA 71201, to provide the following services:

ISP Services: Digital Synchronet T1 connection to the District Office for Internet at a cost of \$1350 per month plus \$1000 per month for 10 schools that will be connected to the central office (\$100 per month per remote schools that will be connected to the network). Initial installations and/or programming included in monthly charges if the installation is for full term as authorized by SLC. Installation charges to be negotiated with customer if installation term less than full term authorized by SLC.

Network Support: Designing and providing network addressing plan, setup security, and configure EMAIL, cache services, and components for the central server and remote servers. To provide ongoing remote networking support for each school program, troubleshoot, and monitor the network operation. With this service to provide remote operating system and network software support for desktop computers, school servers, and routers.

Software Support: To provide software updates and remote support which are included in the Network Support costs.

Network Programming: Additional network support upon request. Any charges are to be confirmed by the customer prior to performance of services.

Start Date: April 2, 1998 upon SLC funding authorization..

Termination Date: June 30, 1999 in accordance with SLC extension regulations.

Please note: This services order is contingent upon customer receiving approval of the Universal Service (E-Rate) application for the above-mentioned services.

Mike Lytle
Superintendent

2-9-99
Date

Mark Sturman
Manager, SEND Technologies

2-9-99
Date



Union Parish School Dist

| Name | Hours | Date |
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| | | 1-Jul-99 Thursday |
| | | 2-Jul-99 Friday |
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| Matt - T | 8 | 14-Jul-99 Wednesday |
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| | | 16-Jul-99 Friday |
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| Matt - T | 8 | 23-Jul-99 Friday |
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| Matt - T | 3 | 28-Jul-99 Wednesday |
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| | | 31-Jul-99 Saturday |
| | | 1-Aug-99 Sunday |
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| Matt - T | 8 | 24-Aug-99 Tuesday |
| Matt - T | 8 | 25-Aug-99 Wednesday |
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| | | 31-Aug-99 Tuesday |
| | | 1-Sep-99 Wednesday |
| Matt - T | 8 | 2-Sep-99 Thursday |
| | | 3-Sep-99 Friday |
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| | | 6-Sep-99 Monday |
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| Matt - T | 3 | 9-Sep-99 Thursday |
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| Matt - T | 8 | 17-Sep-99 Friday |
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| Matt - T | 4 | 20-Sep-99 Monday |
| | | 21-Sep-99 Tuesday |
| | | 22-Sep-99 Wednesday |
| | | 23-Sep-99 Thursday |
| | | 24-Sep-99 Friday |
| | | 25-Sep-99 Saturday |
| | | 26-Sep-99 Sunday |
| | | 27-Sep-99 Monday |
| | | 28-Sep-99 Tuesday |
| | | 29-Sep-99 Wednesday |
| Matt - T | 8 | 30-Sep-99 Thursday |
| | | 1-Oct-99 Friday |
| | | 2-Oct-99 Saturday |
| | | 3-Oct-99 Sunday |
| | | 4-Oct-99 Monday |
| | | 5-Oct-99 Tuesday |
| Matt - T | 4 | 6-Oct-99 Wednesday |
| | | 7-Oct-99 Thursday |
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| | | 6-Nov-99 Saturday |
| | | 7-Nov-99 Sunday |
| | | 8-Nov-99 Monday |
| | | 9-Nov-99 Tuesday |
| | | 10-Nov-99 Wednesday |
| Matt | 8 | 11-Nov-99 Thursday |
| Matt | 4.5 | 12-Nov-99 Friday |
| | | 13-Nov-99 Saturday |
| | | 14-Nov-99 Sunday |
| | | 15-Nov-99 Monday |
| | | 16-Nov-99 Tuesday |
| | | 17-Nov-99 Wednesday |
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| | | 31-Dec-99 | Friday | |
| | | 1-Jan-00 | Saturday | |
| | | 2-Jan-00 | Sunday | |
| DL | 21 | 3-Jan-00 | Monday | Kenneth/Jeremy |
| DL | 21 | 4-Jan-00 | Tuesday | Kenneth/Jeremy |
| DL | 8 | 5-Jan-00 | Wednesday | |
| DL | 8 | 6-Jan-00 | Thursday | |
| DL | 8 | 7-Jan-00 | Friday | |
| | | 8-Jan-00 | Saturday | |
| | | 9-Jan-00 | Sunday | |
| Mike | 21 | 10-Jan-00 | Monday | Jarrod/Jeremy |
| Mike | 15 | 11-Jan-00 | Tuesday | Jarrod/Jeremy |
| | | 12-Jan-00 | Wednesday | |
| | | 13-Jan-00 | Thursday | |
| DL | 8 | 14-Jan-00 | Friday | |
| | | 15-Jan-00 | Saturday | |
| | | 16-Jan-00 | Sunday | |
| | | 17-Jan-00 | Monday | |
| Matt | 4 | 18-Jan-00 | Tuesday | |
| Matt | 4 | 19-Jan-00 | Wednesday | |
| Matt | 5 | 20-Jan-00 | Thursday | |
| Matt | 8 | 21-Jan-00 | Friday | |
| | | 22-Jan-00 | Saturday | |
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| DL | 4 | 25-Jan-00 | Tuesday | |
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| | | 28-Jan-00 Friday | |
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| | | 30-Jan-00 Sunday | |
| Mike | 32 | 31-Jan-00 Monday | Jarrod/Jeremy/Mike |
| Matt | 4 | 1-Feb-00 Tuesday | |
| Matt | 8 | 2-Feb-00 Wednesday | |
| Matt | 8 | 3-Feb-00 Thursday | |
| Matt | 2 | 4-Feb-00 Friday | |
| | | 5-Feb-00 Saturday | |
| | | 6-Feb-00 Sunday | |
| | | 7-Feb-00 Monday | |
| | | 8-Feb-00 Tuesday | |
| | | 9-Feb-00 Wednesday | |
| DL;Matt | 24 | 10-Feb-00 Thursday | Benji |
| | | 11-Feb-00 Friday | |
| | | 12-Feb-00 Saturday | |
| | | 13-Feb-00 Sunday | |
| | | 14-Feb-00 Monday | |
| | | 15-Feb-00 Tuesday | |
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| | | 18-Feb-00 Friday | |
| | | 19-Feb-00 Saturday | |
| | | 20-Feb-00 Sunday | |
| | | 21-Feb-00 Monday | |
| DL;Matt | 24 | 22-Feb-00 Tuesday | Benji |
| DL;Matt | 16 | 23-Feb-00 Wednesday | |
| DL;Matt | 16 | 24-Feb-00 Thursday | |
| | | 25-Feb-00 Friday | |
| | | 26-Feb-00 Saturday | |
| | | 27-Feb-00 Sunday | |
| | | 28-Feb-00 Monday | |
| Matt | 0.5 | 29-Feb-00 Tuesday | |
| | | 1-Mar-00 Wednesday | |
| | | 2-Mar-00 Thursday | |
| | | 3-Mar-00 Friday | |
| | | 4-Mar-00 Saturday | |
| | | 5-Mar-00 Sunday | |
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| | | 9-Mar-00 Thursday | |
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| | | 12-Mar-00 Sunday | |
| DL;Matt | 16 | 13-Mar-00 Monday | |
| | | 14-Mar-00 Tuesday | |
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| DL | 8 | 24-Mar-00 Friday |
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| DL | 8 | 28-Mar-00 Tuesday |
| DL | 1.5 | 29-Mar-00 Wednesday |
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| | | 31-Mar-00 Friday |
| | | 1-Apr-00 Saturday |
| | | 2-Apr-00 Sunday |
| Matt - T | 3 | 3-Apr-00 Monday |
| | | 4-Apr-00 Tuesday |
| | | 5-Apr-00 Wednesday |
| Matt - T | 8 | 6-Apr-00 Thursday |
| DL;Matt-T | 14 | 7-Apr-00 Friday |
| | | 8-Apr-00 Saturday |
| | | 9-Apr-00 Sunday |
| Matt - T | 8 | 10-Apr-00 Monday |
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| Matt - T | 8 | 12-Apr-00 Wednesday |
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| DL;Matt-T | 8 | 19-Apr-00 Wednesday |
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| | | 23-Apr-00 Sunday |
| | | 24-Apr-00 Monday |
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| | | 27-Apr-00 Thursday |
| Matt - T | 3 | 28-Apr-00 Friday |
| | | 29-Apr-00 Saturday |
| | | 30-Apr-00 Sunday |
| Matt | 8 | 1-May-00 Monday |
| Matt | 8 | 2-May-00 Tuesday |
| | | 3-May-00 Wednesday |
| | | 4-May-00 Thursday |
| | | 5-May-00 Friday |
| | | 6-May-00 Saturday |
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| DL | 4 | 15-May-00 Monday | |
| Matt | 4 | 16-May-00 Tuesday | |
| | | 17-May-00 Wednesday | |
| Matt | 2.5 | 18-May-00 Thursday | |
| | | 19-May-00 Friday | |
| | | 20-May-00 Saturday | |
| | | 21-May-00 Sunday | |
| DL | 8 | 22-May-00 Monday | |
| | | 23-May-00 Tuesday | |
| DL;Matt;Mike-T | 38 | 24-May-00 Wednesday | Jarrold/Jeremy/Mike |
| DL | 4 | 25-May-00 Thursday | |
| DL | 4 | 26-May-00 Friday | |
| | | 27-May-00 Saturday | |
| | | 28-May-00 Sunday | |
| | | 29-May-00 Monday | |
| DL | 8 | 30-May-00 Tuesday | |
| | | 31-May-00 Wednesday | |
| Matt | 8 | 1-Jun-00 Thursday | |
| Matt | 8 | 2-Jun-00 Friday | |
| | | 3-Jun-00 Saturday | |
| | | 4-Jun-00 Sunday | |
| | | 5-Jun-00 Monday | |
| Matt | 8 | 6-Jun-00 Tuesday | |
| DL | 8 | 7-Jun-00 Wednesday | |
| | | 8-Jun-00 Thursday | |
| Matt | 8 | 9-Jun-00 Friday | |
| | | 10-Jun-00 Saturday | |
| | | 11-Jun-00 Sunday | |
| | | 12-Jun-00 Monday | |
| Matt | 8 | 13-Jun-00 Tuesday | |
| | | 14-Jun-00 Wednesday | |
| Mike | 32 | 15-Jun-00 Thursday | Jarrold/Jeremy/Mike |
| Matt;Mike | 40 | 16-Jun-00 Friday | Jarrold/Jeremy/Mike |
| | | 17-Jun-00 Saturday | |
| | | 18-Jun-00 Sunday | |
| | | 19-Jun-00 Monday | |
| Matt | 8 | 20-Jun-00 Tuesday | |
| | | 21-Jun-00 Wednesday | |
| | | 22-Jun-00 Thursday | |
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| | | 27-Jun-00 Tuesday |
| Matt | 8 | 28-Jun-00 Wednesday |
| | | 29-Jun-00 Thursday |
| | | 30-Jun-00 Friday |
| | | 1-Jul-00 Saturday |
| | | 2-Jul-00 Sunday |
| | | 3-Jul-00 Monday |
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| | | 5-Aug-00 Saturday |
| | | 6-Aug-00 Sunday |
| | | 7-Aug-00 Monday |
| | | 8-Aug-00 Tuesday |
| DL | 4 | 9-Aug-00 Wednesday |
| | | 10-Aug-00 Thursday |
| | | 11-Aug-00 Friday |
| | | 12-Aug-00 Saturday |
| | | 13-Aug-00 Sunday |
| Matt | 8 | 14-Aug-00 Monday |
| | | 15-Aug-00 Tuesday |
| | | 16-Aug-00 Wednesday |

| | | | |
|---------|----|---------------------|------|
| | | 17-Aug-00 Thursday | |
| | | 18-Aug-00 Friday | |
| | | 19-Aug-00 Saturday | |
| | | 20-Aug-00 Sunday | |
| | | 21-Aug-00 Monday | |
| Matt | 4 | 22-Aug-00 Tuesday | |
| | | 23-Aug-00 Wednesday | |
| | | 24-Aug-00 Thursday | |
| | | 25-Aug-00 Friday | |
| | | 26-Aug-00 Saturday | |
| | | 27-Aug-00 Sunday | |
| | | 28-Aug-00 Monday | |
| | | 29-Aug-00 Tuesday | |
| | | 30-Aug-00 Wednesday | |
| DL | 8 | 31-Aug-00 Thursday | |
| DL | 8 | 1-Sep-00 Friday | |
| | | 2-Sep-00 Saturday | |
| | | 3-Sep-00 Sunday | |
| | | 4-Sep-00 Monday | |
| DL | 16 | 5-Sep-00 Tuesday | Trey |
| DL | 16 | 6-Sep-00 Wednesday | Trey |
| Charles | 8 | 7-Sep-00 Thursday | |
| Charles | 8 | 8-Sep-00 Friday | |
| Charles | 8 | 9-Sep-00 Saturday | |
| | | 10-Sep-00 Sunday | |
| | | 11-Sep-00 Monday | |
| Charles | 8 | 12-Sep-00 Tuesday | |
| Charles | 8 | 13-Sep-00 Wednesday | |
| Charles | 8 | 14-Sep-00 Thursday | |
| Charles | 8 | 15-Sep-00 Friday | |
| | | 16-Sep-00 Saturday | |
| | | 17-Sep-00 Sunday | |
| Charles | 8 | 18-Sep-00 Monday | |
| Charles | 8 | 19-Sep-00 Tuesday | |
| Charles | 8 | 20-Sep-00 Wednesday | |
| Charles | 8 | 21-Sep-00 Thursday | |
| Charles | 8 | 22-Sep-00 Friday | |
| | | 23-Sep-00 Saturday | |
| | | 24-Sep-00 Sunday | |
| Charles | 8 | 25-Sep-00 Monday | |
| | | 26-Sep-00 Tuesday | |
| | | 27-Sep-00 Wednesday | |
| | | 28-Sep-00 Thursday | |
| | | 29-Sep-00 Friday | |
| | | 30-Sep-00 Saturday | |

per location from SEND TECHNOLOGIES where the locations are mapped through Bell Frame Relay Service into the SEND router Frame port.

Aggregated District Based T1 Service Costs:

6. The cost for T1 network service from a school district supporting multiple school sites is \$1350.00 per month plus \$500 per school connected where the central T1 is mapped through Bell SyncroNet service into a SEND serial port.
7. The cost for T1 network service from a school district supporting multiple school sites is \$1200.00 per month plus \$500 per school connected where the central T1 is mapped through Bell Frame Relay Service into the SEND ports.
8. The cost of Bell FlexService or Frame Relay T1 will be billed directly based on actual costs from Bell. Current charge estimates are \$365.00 per month for FlexService and \$600.00 per month for Frame Relay.

Other Costs:

9. Costs for customized programming, consulting, or training requested by the provider are not included in the cost of networking and must be addressed separately.
10. Costs for other non-networking consulting or processing services through SEND are not included in the cost of networking.

STATE OF LOUISIANA LEGISLATIVE AUDITOR

E-Rate Program

January 15, 2003



Investigative Audit

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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LEGISLATIVE AUDITOR

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and Shreveport offices of the Legislative Auditor and at the offices of the parish clerks of court.

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In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

Attachment 2

E-Rate Program

January 15, 2003



**Investigative Audit
Office of the Legislative Auditor
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor**

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OFFICE OF
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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

January 15, 2003

**Martha T. Simons, Superintendent,
and Members of the Caldwell Parish
School Board**

**Ronald R. Lofton, Superintendent,
and Members of the Catahoula Parish
School Board**

**Gary L. Jones, Superintendent,
and Members of the Claiborne Parish
School Board**

**Dr. Lester Peterman, Superintendent,
and Members of the Concordia Parish
School Board**

**Leo Thornhill, Jr., Superintendent,
and Members of the Franklin Parish
School Board**

**Archie J. Chandler, Superintendent,
and Members of the Jackson Parish
School Board**

**Dr. Gerald W. Cobb, Superintendent,
and Members of the Lincoln Parish
School Board**

**Samuel Dixon, Superintendent,
and Members of the Madison Parish
School Board**

**Dr. George D. Cannon, Superintendent,
and Members of the Monroe City
School Board**

**Richard Hartley, Superintendent,
and Members of the Morehouse Parish
School Board**

**John R. Sartin, Superintendent,
and Members of the Richland Parish
School Board**

**Donald H. Pennington, Superintendent,
and Members of the Tensas Parish
School Board**

**Richard Noles, Superintendent,
and Members of the Webster Parish
School Board**

Transmitted herewith is our investigative report of the E-Rate Program. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our findings and recommendations as well as managements' responses. Copies of this report have been delivered to each school district and others as required by state law.

Respectfully submitted,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

GFC:EKL:DGP:dl

[MCS003]

Executive Summary

Investigative Audit Report E-Rate Program

Background *(See page 9.)*

The Universal Service Fund, also known as "E-Rate," was created as part of the Telecommunications Act of 1996 to ensure that all eligible schools and libraries have affordable access to telecommunications and information services. All schools and libraries qualify for the program and receive discounts according to their level of economic disadvantage (based on the percentage of students eligible for the national school lunch program) and their location--rural or urban. The school or library will receive discounts of 20% to 90% on telecommunications services, internal connections, and Internet access.

The legislative auditor previously reported findings that indicated that the Union Parish School District awarded E-Rate contracts to SEND Technologies, L.L.C. (SEND), a company partially owned by Union Parish School District employees. In addition, the legislative auditor received information that school districts located in northeast Louisiana paid SEND for Internet services that were not provided. This investigative audit was performed to determine the propriety of this allegation.

This investigative audit resulted in four findings concerning 13 northeast Louisiana school districts and their transactions with SEND.

1. Two co-owners of SEND used their public employee positions to connect SEND customers to the Monroe City School District network infrastructure.
2. SEND charged and was paid for services that were not actually provided.
3. SEND billed the school districts for high-speed configurations while actually providing Internet service through a lower-speed configuration.

4. The school districts did not maintain documentation necessary to ensure they received the network support services for which they paid SEND.

Highlights. . .

Co-owners of SEND used their positions as school district employees to connect SEND customers to MCSD's Internet infrastructure.

Finding (See page 12.)

Mark Stevenson and Albert Sit, co-owners of SEND Technologies, L.L.C. (SEND), used their positions as Monroe City School District (MCSD) employees to authorize BellSouth to connect SEND customers to MCSD's Internet infrastructure. As a result, SEND was paid at least \$89,565 for Internet services that it provided using MCSD's BellSouth flexserv.

Before receiving E-Rate funding in 1998, MCSD provided Internet access (ISP) service to several northeast Louisiana school districts. Digital circuits (56/64K lines) were connected from the school sites to a BellSouth flexserv.¹ The flexserv connected the school sites to MCSD's networking infrastructure.

Former MCSD Management and Information Services Director Mark Stevenson and Associate Director Albert Sit coordinated MCSD's ISP services. Mr. Stevenson and Mr. Sit had remote access to the flexserv in order to manage the network, route traffic, and monitor network performance. In order to make changes (add/remove lines) to the flexserv, BellSouth required authorization from MCSD (Mr. Stevenson or Mr. Sit).

When E-Rate funding became available in 1998, MCSD discontinued providing Internet services to other school districts. On March 31, 1998, Mr. Stevenson and Mr. Sit, along with Union Parish School District employees Tom Snell and Bobby Earle, formed SEND Technologies, L.L.C. (SEND) as an ISP provider. In April 1998, SEND contracted to provide Internet access to ten northeast Louisiana school districts under the E-Rate program.

According to BellSouth records, SEND connected its offices to the MCSD flexserv in July and August 1998. SEND began providing Internet access in July 1998.

From August 1998 to June 1999, 27 additional circuits were added to the MCSD flexserv from sites in school districts that contracted with SEND.

¹ A flexserv is a load management switching device which can be remotely monitored and managed.

SEND charged the school districts at least \$100 per school site per month for Internet services. From August 1998 to August 2001, SEND was paid \$89,565 for services to these sites. Based on this information, it appears that Mr. Stevenson and Mr. Sit used their positions as MCSD employees to provide Internet services through their private company using MCSD's flexserv account.

Recommendations (*See page 37.*)

We recommend that the Monroe City School Board establish and implement controls to ensure that district funds and assets are not used for personal purposes.

Highlights. . .

SEND was paid \$103,714 for Internet services not provided.

Finding (*See page 15.*)

SEND was paid \$103,714 for Internet services not provided.

From April 1998 to June 1999, SEND was paid \$49,354 in Internet access charges for school sites that did not receive Internet access.

During this period, SEND had contracted with Franklin, Madison, and Tensas Parish School Districts to provide Internet access to each district's central office as well as a total of 28 school sites within the three districts. The amounts charged each month for Internet access was based on a \$1,350 base charge for service to the central office and an additional \$100 per school site connected to the network (central office).

During our examination, we noted that although SEND provided Internet access to each school district's central office, no more than six of the 28 school sites in these districts received Internet access throughout the entire funding year. In many cases, the school sites did not receive Internet access until the last month of the funding year.

Although many of the 28 school sites did not receive Internet access during each month of the funding year, SEND billed each of the school districts and Universal Service Administrative Company (USAC) for the full contract amounts. These billings resulted in overpayments to SEND totaling \$47,429.

In addition, SEND contracted to provide Internet access to Webster Parish School District. Under this contract, SEND overcharged USAC \$1,925.

E-Rate records indicate that SEND was paid \$54,360 for Internet access services not provided to Lincoln, Tensas, Webster, and Caldwell Parish School Districts during the fourth E-Rate funding year (July 2001 to June 2002).

Lincoln Parish School District - SEND contracted with the school district to provide T-1 Internet access to 18 school sites and the central office during the fourth funding year at a cost of \$94,800. School district personnel stated that only 14 school sites received Internet access from SEND and that only three of the district's school sites received Internet access through T-1 connections. As a result, it appears that the school district paid SEND at least \$5,625 for services not provided.

Tensas Parish School District - The school district contracted with SEND to provide Internet access to the central office and five school sites. Although one of the school sites was closed, SEND billed the school district and USAC a total of \$12,840 for services to the site.

Webster Parish School District - The school district's contract with SEND provided that SEND would upgrade the school district's connection to SEND as well as the school district's routers. School district personnel indicated that these services were not provided during the funding period resulting in the school district paying SEND \$10,395 for services not provided.

Caldwell Parish School District - SEND contracted with the school district to provide T-1 Internet access to each school site. Although SEND billed the school district and USAC for the full amount of the contract, T-1 upgrades were not installed in five school sites during the period. As a result, SEND was paid \$25,500 for services not provided.

It should be noted that after the legislative auditor began its investigation, SEND issued credit memos to these school districts totaling \$89,670 for amounts that had already been billed to the districts and USAC for services not provided.

Recommendations (*See page 37.*)

We recommend that the school districts' technology coordinators, business managers, and members of the school districts' finance committees review all E-Rate contracts and billings to ensure that payments are made for only those services that are provided.

Highlights . .

SEND billed eleven school districts for enhanced services that were not provided.

Finding (*See page 31.*)

SEND billed eleven school districts annual Internet Service Provider (ISP) charges ranging from \$80,640 to \$112,200 for enhanced services (school sites connected directly to the ISP) that were not provided. SEND billed the districts for high-speed configurations while actually providing Internet service through a lower-speed configuration.

During the first two E-Rate funding years, SEND provided Internet access to several school districts under a configuration consisting of connections from each school site to the district central office and a connection from the district central office to SEND. Under this configuration, the central office provided Internet access to each of the school sites. The average annual charges under this configuration ranged from \$27,000 to \$30,600.

Annual Internet access charges to the same school districts increased significantly during the third funding year to an average of \$60,000 per district. Internet access service orders provided by school district personnel indicated that during this period, SEND provided T-1 Internet access to the schools in each district.

SEND's contracts for Internet access during the fourth funding year indicated that SEND would provide Internet access under a configuration by which the school sites in each district would have their own direct connections to SEND. This configuration would allow each school site to bypass the central office to receive faster Internet service. Annual charges under this configuration ranged from \$80,640 to \$112,200.

Although SEND billed the school districts based on this enhanced configuration, technology coordinators in Caldwell, Catahoula, Claiborne, Concordia, Franklin, Lincoln, Morehouse, and Richland Parish School Districts indicated that individual school sites in their districts did not have separate T-1 links connecting directly to SEND.

Recommendations (See page 37.)

We recommend that the school boards establish policies and procedures to ensure the district is receiving the services under contract.

Highlights. . .

School districts failed to maintain adequate documentation of services performed by SEND.

Finding (See page 34.)**School Districts failed to maintain adequate documentation of on-site Internet network support services performed by SEND.**

From July 1999 to June 2000, SEND contracted with at least six school districts to provide Internet on-site network support services for a total contract cost of \$405,600. Of this amount, SEND was paid \$402,280 to provide each of the school districts with on-site technical support for the districts' network operations which included programming, monitoring, and troubleshooting of routers at each school site and school district central office.

During our review of the on-site network support contracts, we noted that the school districts failed to maintain an adequate record of on-site network services to support whether or not SEND complied with the terms of the contract. Since the school districts did not maintain documentation of the dates, times, or services performed by SEND's technicians, we were unable to determine if the school districts received the services for which they paid.

Recommendations (See page 37.)

We recommend that the school boards establish policies and procedures to ensure the district is receiving the services under contract.

Additional Information (See Attachment I.)

The finding states that SEND billed eleven school districts for enhanced services that were not provided. SEND billed the districts for high-speed configurations while actually providing Internet service through a lower-speed configuration.

Several of the school districts responding to this finding have interpreted "enhanced services" as Internet access through upgraded T-1 connections. The reference to "enhanced services" relates to the configuration proposed in SEND's contract during the fourth funding year that provided for the schools within each

district to bypass the central office and connect directly to SEND. Under the proposed configuration, each school site would have its own T-1 connection to SEND increasing its bandwidth and ultimately the speed of Internet access to the schools.

The legislative auditor is aware that most of these school districts received Internet access through T-1 connections to their respective district central office during the third year. SEND's ISP service orders for the third funding year simply stated that SEND would provide T-1 Internet access to all school sites. However, a review of school district and BellSouth records indicate that several schools in these districts did not have T-1 service until the fourth funding year.

As stated above, the school districts paid SEND between \$80,640 and \$112,200 for Internet access where the school sites were connected to the central office and then routed to SEND. However, we noted that at least one district received a proposal for the fifth funding year (from a vendor other than SEND) for comparable services at a cost of \$34,500, substantially less than that charged by SEND.

Background and Methodology

The Universal Service Fund, also known as “E-Rate,” was created as part of the Telecommunications Act of 1996 to ensure that eligible schools and libraries have affordable access to telecommunications and information services. All schools and libraries qualify for the program and receive discounts according to their level of economic disadvantage (based on the percentage of students eligible for the national school lunch program) and their location--rural or urban. The school or library will receive discounts of 20% to 90% on telecommunications services, internal connections, and Internet access.

Under this program, the federal government pays a percentage (discounted portion) of the allowable services and equipment. The school district is responsible for paying the non-discounted portion of each contract.

The Federal Communications Commission authorized the Universal Service Administrative Company (USAC) as the interim overall administrator of the E-Rate program. On January 1, 1998, USAC began committing E-Rate funds to schools and libraries for authorized services.

The legislative auditor had previously reported findings that indicated that the Union Parish School District awarded E-Rate contracts to SEND Technologies, L.L.C. (SEND), a company partially owned by school district employees. In addition, the legislative auditor received information that school districts located in northeast Louisiana paid SEND for Internet services that were not provided. The school districts included in this report are Caldwell, Catahoula, Claiborne, Concordia, Franklin, Jackson, Lincoln, Madison, Monroe, Morehouse, Richland, Tensas, and Webster Parishes. This investigative audit was performed to determine the propriety of this allegation.

The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the school districts; (2) interviewing other persons as appropriate; (3) examining selected school district records; (4) performing observations and analytical tests; and (5) reviewing applicable state and federal laws and regulations.

The results of our investigation are the findings and recommendations herein.

Findings

From April 1998 to June 2002, SEND Technologies, L.L.C. (SEND) was paid at least \$3,510,822 to provide Internet access and internal connection services to at least 13 school districts in northeast Louisiana under the federal E-Rate Program. During this period of time:

- Mark Stevenson and Albert Sit, co-owners of SEND, used their positions as Monroe City School District (MCSD) employees to authorize BellSouth to connect SEND customers to MCSD's Internet infrastructure. As a result, SEND was paid at least \$89,565 for Internet services that it provided using MCSD's flexserv account.
- SEND was paid \$103,714 for Internet services not provided.
- SEND billed eleven school districts annual Internet Service Provider (ISP) charges ranging from \$80,640 to \$112,200 for enhanced services (school sites connected directly to the ISP) that were not provided. SEND billed the districts for high-speed configurations while actually providing Internet service through a lower-speed configuration.
- School districts failed to maintain adequate documentation of on-site Internet network support services performed by SEND.

Background

Before receiving E-Rate funding in 1998, MCSD provided Internet access service to Catahoula, Concordia, Richland, and Union Parish School Districts. Digital circuits (56/64K lines) were installed at school sites in each district receiving Internet access from MCSD. The lines from the school sites were connected to a BellSouth flexserv account that MCSD had established in December 1994. The flexserv connected the school sites to MCSD's networking infrastructure. BellSouth's monthly fees for the lines and the connections to the flexserv were paid by MCSD. In addition to reimbursing MCSD for the costs of the lines, each of the school districts connecting to the flexserv paid MCSD a monthly fee to provide ISP service.

Before 1998, MCSD provided Internet access service to several school districts through its BellSouth flexserv account. The school districts paid MCSD a fee to connect to the flexserv.

During the same period, former MCSD Management and Information Services Director Mark Stevenson and Associate Director Albert Sit coordinated MCSD's ISP services. Mr. Stevenson and Mr. Sit each had security cards providing them with remote access to the MCSD flexserv in

order to manage the network, route traffic (to alleviate line congestion), and monitor network performance. According to BellSouth, in order to make changes (add/remove lines) to the MCSD flexserv, BellSouth would have required authorization from MCSD (Mr. Stevenson or Mr. Sit).

When E-Rate funding became available in 1998, MCSD discontinued providing Internet services to other school districts because Universal Service Administrative Company (USAC) guidelines would not allow MCSD to act as an E-Rate service provider while receiving E-Rate funding. MCSD, its former customers (Catahoula, Concordia, Richland, and Union Parish School Districts), and several other school districts in northeast Louisiana including Caldwell, East Carroll, Franklin, Jackson, Lincoln, Madison, Morehouse, Richland, Tensas, and West Carroll formed a consortium to apply for E-Rate and state technology funds. State technology funds were used to subsidize the portion of the internal connection contracts not funded by E-Rate. MCSD was chosen as the fiscal agency, with Mr. Stevenson acting as the fiscal agent representing the consortium. Mr. Stevenson assisted consortium members with their applications for both E-Rate and state technology funds.

During the first E-Rate funding year (January 1998 to June 1999), E-Rate funds totaling \$1,262,518 were disbursed to MCSD on behalf of the consortium. Mr. Stevenson negotiated with vendors using these funds to purchase routers, switches, network servers, wiring, and other equipment for consortium members. In addition, Mr. Stevenson assisted consortium members with the design of their school districts' network infrastructures (configurations). Mr. Stevenson also provided consortium members with a request for proposals for Internet access services and, in at least one school district, advised the technology coordinator in the negotiation of a contract with a vendor to provide equipment and ISP services.

Co-owners of SEND Technologies Used Their Positions as Monroe City School District (MCSD) Employees to Authorize BellSouth to Connect SEND Customers to MCSD's Internet Infrastructure

Although MCSD discontinued providing Internet service in 1998, BellSouth records indicate that MCSD maintained its flexserv account until August 2001. On March 31, 1998, Mr. Stevenson and Mr. Sit, along with Union Parish School District employees Tom Snell and Bobby Earle, formed SEND Technologies, L.L.C. (SEND) as an ISP provider. In April 1998, SEND contracted to provide Internet access to Caldwell, Catahoula, Concordia, Franklin, Jackson, Madison, Morehouse, Tensas, Union, and Webster Parish School Districts (all consortium members except Webster) under the E-Rate program during the 1998-99 funding year. In at least two of these school districts, SEND provided proposals for Internet access services in response to their request for proposals that Mr. Stevenson provided to the technology coordinators during a consortium meeting. In one school district, Mr. Stevenson submitted identical proposals for Internet access services from both MCSD and SEND.

It should be noted that from April to June 1998, Catahoula, Concordia, and Union Parish School Districts continued to receive Internet access from MCSD through their connections to the MCSD flexserv. According to BellSouth records, SEND installed T-1 lines from its offices in Monroe to the MCSD flexserv in July and August 1998, which provided SEND direct access to

MCSD's flexserv. SEND's invoices to the various school districts for Internet access indicate that SEND began providing Internet access in July 1998.

From August 1998 to June 1999, additional circuits were added to the MCSD flexserv from school sites in districts that contracted with SEND including Caldwell, Franklin, Jackson, Madison, and Tensas Parish School Districts. BellSouth's monthly fees for the lines and the connections to the flexserv were paid by the school districts. During this period of time, MCSD continued to provide Internet access to school sites within its (MCSD's) district through the MCSD flexserv.

According to BellSouth, no changes were made to the MCSD flexserv without authorization from Mr. Stevenson or Mr. Sit. Both Mr. Stevenson and Mr. Sit, through their positions at MCSD, authorized the installation of SEND's customers' digital circuit connections to the MCSD flexserv. Furthermore, Mr. Stevenson and Mr. Sit's security access to the MCSD flexserv allowed them the ability to manage SEND's ISP services to its customers.

Ms. Janis Haynes, BellSouth sales engineer, stated that BellSouth received an e-mail from Mr. Stevenson and Mr. Sit in April 2001 requesting that BellSouth separate SEND from the MCSD flexserv so that SEND would have its own flexserv independent of MCSD. They also requested that BellSouth move some of the school districts' (SEND's customers) circuits from MCSD's flexserv to the new SEND flexserv. Ms. Haynes stated that Mr. Stevenson asked her to bill SEND for the cost to separate the flexserv and build a new flexserv for SEND.

Donna,

We wish to set up a new Flex account and transfer the circuits to it as shown in the Attachments. Please advise as to how to cutover and projected cost.

Thanks,

-----Original Message-----
From: asit (NLS) [mailto:asit@nls.k12.la.us]
Sent: Thursday, April 12, 2001 12:06 PM
To: Mark Stevenson
Subject: New Flex Management Account

The enclosed three Microsoft Word documents provide the details about the flex circuits for the new and old flex management accounts.

Please contact Donna Rimmer from Bell South about setting up a new flex management account. Here is her email address:

donna_rimmer@bbs.bellsouth.com

Thank you!

E-mail sent from Mr. Sit and Mr. Stevenson of SEND to Donna Rimmer of BellSouth requesting that a new flexserv account be established for SEND.

Documentation from BellSouth indicating the separation of SEND from the MCSD flexserv in August 2001. According to the document, 29 of SEND's customer locations (including locations from Caldwell, Franklin, Jackson, Madison, and Tensas Parish School Districts) were to be moved from MCSD's flexserv account to a new flexserv account in SEND's name.

BellSouth records documenting the installation of circuits in Caldwell, Franklin, Jackson, Madison, and Tensas Parish School Districts indicate that several circuits were installed from school sites to the MCSD flexserv after these districts had

contracted with SEND for Internet access. From August 1998 to June 1999, at least 27 sites from these districts had circuits installed connecting to the MCSD flexserv. During the period that these circuits were connected to the MCSD flexserv, SEND charged the school districts at least \$100 per school site per month. From August 1998 to August 2001, SEND was paid \$89,865 for services that SEND provided to these sites. Based on this information, it appears that Mr. Stevenson and Mr. Sit used their positions as MCSD employees to provide Internet services through their private company using MCSD's flexserv account.

As MCSD's employee (agent representing consortium), Mr. Stevenson (1) purchased equipment essential in developing the network infrastructures for school districts within the consortium; (2) developed a working relationship with consortium members; and (3) had access to MCSD's flexserv all of which provided SEND with a competitive advantage over other vendors.

08/02/01

Page 1 of 5

FLEXSERV OFFICIAL NETWORK INQUIRY
(To be completed by Marketing/Sales)

| | | | |
|---------------------------------|-------------------|--|------------------|
| Date: | 08/20/01 | Inquiry Due Date: | 09/11/01 OR ASAP |
| Customer Name: | SEND TECHNOLOGIES | Total Number of Customer Locations: | 29 |
| Contact Name: | MARK STEVENSON | Customer Terminal Type: | PC |
| Contact Number: | 318 340-0750 | Type of Customer: | CLEC/EndUser/XC |
| Associated Inquiry #: | | If CLEC, give CLEC's Name & CLEC's Customer's Name | |
| Date Customer Requires Service: | 09-14-01 OR ASAP | | |

Management Terminal Interface -MTI-
(List each customer address separately)

| Customer Address | SWC CLLI | Pvt Line/Speed | Quantity Dial up/speed | Total |
|--|----------|----------------|------------------------|-------|
| 2904 EVANGELINE ST MONROE, LA 71201 | MONRLAMA | | 2400 | |
| | | | | |
| | | | | |
| | | | | |
| Total MTIs Required | | | | |

NOTE: This inquiry is being issued to separate an existing FlexServ® customer (MONROE CITY SCHOOLS, a.k.a. MCSCHOOL) into 2 customer FlexServ® arrangements. All DS0 ckts. Will still be mapped to the same DS1 ckts. The new Flex arrangement will have new name, new Secur Card ID access and billed to Send Technologies.

SEND Was Paid \$103,714 for Internet Services Not Provided.

SEND charged and was paid \$103,714 for Internet access for school sites that did not actually receive the service, for higher speed connections while slower speed connections were actually provided, and for other upgrades that were not performed.

| School Districts | E-Rate Funding Year | Period Service Not Provided | Amount Billed by SEND | Payment to SEND for Services Not Provided |
|------------------|---------------------|-------------------------------------|-----------------------|---|
| 1. Franklin | One | July-98 (1 month) | \$2,250.00 | |
| | | August-98 to March-99 (8 months) | 7,200.00 | |
| | | April-99 (1 month) | 600.00 | \$10,050.00 |
| 2. Lincoln | Four | July-01 to March-02 (9 months) | 3,375.00 | |
| | | July-01 to March-02 (9 months) | 2,250.00 | 5,625.00 |
| 3. Tensas | One | April-98 to February-99 (11 months) | 21,450.00 | |
| | | March-99 (1 month) | 1,850.00 | |
| | | April-99 (1 month) | 1,450.00 | |
| | | May-99 (1 month) | 100.00 | |
| | | Jun-99 (1 month) | 100.00 | |
| | Four | July-01 to June-02 (12 months) | 12,840.00 | 37,790.00 |
| 4. Madison | One | July-98 to May-99 (11 months) | 7,700.00 | |
| | | May-99 (1 month) | 400.00 | |
| | | April-98 to June-98 (3 months) | 4,329.00 | 12,429.00 |
| 5. Webster | One | April-99 to June-99 (3 months) | 1,925.00 | |
| | Four | July-01 to March-02 (9 months) | 10,395.00 | 12,320.00 |
| 6. Caldwell | Four | July-01 to June-02 (12 months) | 25,500.00 | 25,500.00 |
| | | | | \$103,714.00 |

Franklin Parish School District

From July 1998 to June 2002, SEND was paid \$254,196 to provide Internet access to Franklin Parish School District (school district) under the E-Rate program. Of this amount, it appears that SEND was paid at least \$10,050 in Internet access charges for school sites that did not receive Internet access.

First E-Rate Funding Year - From July 1998 to June 1999, USAC and school district disbursement records indicate that SEND was paid a total of \$30,600 (12 months @ \$2,550) for providing Internet access to the school district. According to the school district's contract for Internet access, SEND provided one direct Internet access connection to the school district's central office

From July 1998 to June 1999, SEND was paid \$10,050 in Internet access charges for school sites that did not receive Internet access.

supporting 12 school sites for \$2,550 per month. This amount included a base rate of \$1,350 for the central office's connection to SEND plus \$100 per school site (12) connected to the network (the school district's central office).

Of the total amount disbursed to SEND, USAC paid \$26,622 (87%) and the school district paid \$3,978 (13%). However, school district records indicate that during July 1998 only three sites--Crowville, Winnsboro, and Wisner High Schools--were equipped with digital circuits (56/64K lines) capable of receiving Internet access from an ISP. These records further indicate that the central office did not receive Internet access until a digital circuit (T-1) was installed at the central office in August 1998. BellSouth records confirmed that digital circuits were installed at Crowville, Winnsboro, and Wisner High Schools by July 1998 and that a T-1 line was installed at the central office in August 1998.

Thoy Leonard, school district technology coordinator, stated that the school district did not have all school sites connected to the Internet during the first funding year.

Thoy Leonard, school district technology coordinator, also confirmed that the school district did not have all of its school sites connected to the Internet during the first E-Rate funding year. Ms. Leonard further added that the school district only had four sites that were equipped with computer lines (64K or T-1) during most of this period. Though school district records confirm that only three school sites were capable of receiving Internet access, SEND billed a total of \$2,550 during July 1998, which included charges for the central office supporting 12

school sites. Because only three school sites were capable of receiving Internet access in July, it appears that SEND was paid \$2,250 (\$2,550 less 3 sites @ \$100 each) for services not provided.

Furthermore, from August 1998 to March 1999, SEND overbilled the school district and USAC an additional \$900 (9 sites that were not connected to the network) each month as the central office and only three sites received Internet access. As a result, it appears that SEND received \$7,200 (9 sites @ \$100/site for 8 months) for services not provided from August 1998 to March 1999.

In April 1999, 64K lines were installed at Gilbert Junior High, Ogden Junior High, and Winnsboro Lower Elementary Schools connecting the sites to the MCSD flexserv bringing the total number of Internet capable school sites to six. As a result, the school district and USAC should have been billed a total of \$1,950 (\$1,350 for the central office plus \$600 for 6 sites). SEND again billed \$2,550 (12 sites) during this month resulting in an overpayment to SEND totaling \$600. School district records also indicate that the remaining six schools in the district had 64K lines installed in May 1999 making all 12 school sites capable of receiving Internet access during the remainder of the contract period (May 1999 and June 1999). These school sites were also connected to the MCSD flexserv.

| | | | | | |
|---|---|------------------|-------------------------|----------------|--|
| SEND Technologies, L.L.C. | | Invoice | | | |
| 1900 Lamy Lane Suite H Monroe LA 71201 | | DATE 6/8/1999 | INVOICE # 1052 | | |
| <table border="1"> <tr> <td>BILL TO</td> </tr> <tr> <td>Franklin Parish School Board Technology Literacy Challenge 7293 Prairie Road Winnsboro LA 71295 Attn: Thoy Leonard</td> </tr> </table> | | | | BILL TO | Franklin Parish School Board Technology Literacy Challenge 7293 Prairie Road Winnsboro LA 71295 Attn: Thoy Leonard |
| BILL TO | | | | | |
| Franklin Parish School Board Technology Literacy Challenge 7293 Prairie Road Winnsboro LA 71295 Attn: Thoy Leonard | | | | | |
| | | P.O. NO. 9514 | TERMS Due on receipt | | |
| | | PROJECT | | | |
| QUANTITY | DESCRIPTION | RATE | AMOUNT | | |
| 12 | ISP Service Charges Franking: \$1350/mo + 100 x 12 schools billed at 13% with 87% billed to SLC (July 98 - June 99) | 331.50 | 3,978.00 | | |
| Total | | | \$3,978.00 | | |

Although most of the school district's digital circuits were not installed until April or May 1999, SEND billed the school district for providing Internet access to all 12 school sites from July 1998 to June 1999.

Although SEND billed the school district for providing Internet services to 12 school sites, school district records indicate that Mr. Stevenson was aware of the installation dates of the school district's computer lines. On March 29, 1999, Mr. Stevenson sent an e-mail to Ms. Leonard indicating that he was attaching several files including two separate BellSouth installation schedules. According to the e-mail, Mr. Stevenson indicated that the first BellSouth schedule contains the circuit installation due dates and should not be sent to SLC (USAC). Mr. Stevenson further explained that the second BellSouth schedule is like the first but does not have the installation due dates and should be sent to SLC (USAC).

471 information

Subject: 471 information
Date: Mon, 29 Mar 1999 21:13:14 -0600
From: Mark Stevenson <mstev@monroe.k12.la.us>
To: leonard@nls.k12.la.us

Thoy,

The 471 applications are:

121385 Pin # 62437 - Bell Digital lines and ISP
121434 Pin # 69128 - Networking support SEND

I am also attaching the following files:

frank1 - xls worksheet of Bell installations, but this has due dates on it and should not be sent to SLC

frank2 - xls worksheet like above, but w/o due dates
SEND THIS ONE TO SLC WITH APP 121385




471FR1.WPD - WP 6.1 file for App 121385 with details about Bell lines and ISP service
SEND THIS TO SLC with app 121385

471FR2.WPD - WP 6.1 file for App 121434 with list of services for network support
SEND THIS TO SLC with app 121434

REMEMBER TO 1) SEND SIGNED FORM 6
2) SEND MATRIX (COPY WITH EACH APPLICATION)
3) SEND LIST OF SERVICES
4) SEND BY FED EX WITH RETURN RECEIPT -

Iris can page me (or you can at 329-6601) if I forgot anything. You might give the applications one final look before you close them (it is late)

Thanks!!! :)

| | |
|--|--|
|  frank1.xls | Name: frank1.xls Type: Microsoft Excel Worksheet (application/vnd.ms-excel) Encoding: base64 |
|  frank2.xls | Name: frank2.xls Type: Microsoft Excel Worksheet (application/vnd.ms-excel) Encoding: base64 |
|  471fr1.wpd | Name: 471fr1.wpd Type: WordPerfect Document (application/wordperfect5.1) Encoding: base64 |

1 of 2

3/30/99 7:29 AM

Mr. Stevenson indicates that the schedule containing installation dates (mostly during April or May 1999 - see next page) should not be sent to SLC (USAC).

A hard copy of the first BellSouth schedule lists each of the district's sites, the locations of the circuits, the circuit identification numbers, and the due dates for installation. According to the schedule, ten of the 13 sites had circuits installed from the district site to the MCSD flexserv. It should be noted that the schedule also lists Mr. Stevenson as the contact for order questions along with his MCSD phone number.

Findings

Not Served

Franklin Parish Applications 121306 FRS - 174579
Vendor - Bell South
Total Requested \$36,111
OKL #

| Circuit | OKL 2 | Tarif | DLO | Circuit Description | Instal | Monthly | Installation Priority | Order Number | Due Date | Circuit ID | |
|-------------------------------------|---|--|-------|-----------------------|------------|-------------|-----------------------|--------------|-----------|------------|----------------|
| Franklin Parish Schools Main office | 7263 Prairie Road, Winnsboro (on loc as 435-8048) | Monroe City Schools FlexServ (Monroe Main 318-340) | EDP | 435 to 340 (33 miles) | T-1 / FLEX | \$ 195.00 | \$ 300.00 | 1 | NSF6SRB4 | 4/18/99 | 60.DHOG 512855 |
| Beulah School | 1826 Hwy 567, Beulah (248-2381) | Monroe City Schools FlexServ (Monroe Main 318-340) | EDP | 248 to 340 (24 miles) | 64K / Flex | \$ 105.00 | \$ 87.30 | 4 | NSC074N7 | 5/14/99 | 60.DCCC 502008 |
| Crowville High School | 139 Crowville School Rd., Crowville (723-9244) | 7263 Prairie Road, Winnsboro (on loc as 435-8048) | EDP | 722 to 435 (9 miles) | T-1 | \$ 140.00 | \$ 358.00 | 2 | NSC02PS17 | 4/30/99 | 60.DHOG 512856 |
| Fort Nease Junior High | 10830 Hwy 562, Fort Nease (723-4795) | Monroe City Schools FlexServ (Monroe Main 318-340) | EDP | 723 to 340 (38 miles) | 64K / Flex | \$ 105.00 | \$ 87.30 | 3 | NSC08MOP8 | 5/18/99 | 60.DCCC 502007 |
| Gilbert Junior High | 174 First Street, Gilbert (435-6081) | Monroe City Schools FlexServ (Monroe Main 318-340) | EDP | 435 to 340 (33 miles) | 64K / Flex | \$ 105.00 | \$ 87.30 | 2 | NSC08PC15 | 4/20/99 | 60.DCCC 502008 |
| Opam Junior High | 2212 HWY 136, Winnsboro (435-4471) | Monroe City Schools FlexServ (Monroe Main 318-340) | EDP | 435 to 340 (53 miles) | 64K / Flex | \$ 105.00 | \$ 87.30 | 3 | NSC14W980 | 4/28/99 | 60.DCCC 502009 |
| Ward II School | 2051 Hwy 578 Winnsboro (435-4748) | Monroe City Schools FlexServ (Monroe Main 318-340) | EDP | 435 to 340 (53 miles) | 64K / Flex | \$ 105.00 | \$ 87.30 | 4 | NSC08BVD0 | 5/4/99 | 60.DCCC 502010 |
| Winnsboro Lower Elementary | 1310 Warren St., Winnsboro (435-6088) | Monroe City Schools FlexServ (Monroe Main 318-340) | EDP | 435 to 340 (53 miles) | 64K / Flex | \$ 105.00 | \$ 87.30 | 4 | NSC00Y18 | 4/28/99 | 60.DCCC 502011 |
| Winnsboro Upper Elementary | 1308 Warren Street, Winnsboro (435-6088) | Monroe City Schools FlexServ (Monroe Main 318-340) | EDP | 435 to 340 (53 miles) | 64K / Flex | \$ 105.00 | \$ 87.30 | 4 | NSC24WV06 | 5/10/99 | 60.DCCC 502012 |
| Winnsboro Jun of High | 5915 HWY 4, Winnsboro (435-5805) | Monroe City Schools FlexServ (Monroe Main 318-340) | EDP | 435 to 340 (53 miles) | 64K / Flex | \$ 105.00 | \$ 87.30 | 3 | NSC00X06 | 5/12/99 | 60.DCCC 502013 |
| Winnsboro High School | 1800 Glover Drive, Winnsboro (435-5878) | 7263 Prairie Road, Winnsboro (on loc as 435-8048) | Tarif | N/A | T-1 | \$ 1,369.00 | \$ 290.00 | 2 | NSC0WCC02 | 4/22/99 | 60.DHOG 512858 |
| Warner High School | 171 School Street, Warner (724-7598) | 7263 Prairie Road, Winnsboro (on loc as 435-8048) | EDP | 724 to 435 (13 miles) | T-1 | \$ 140.00 | \$ 358.00 | 2 | NSC0V377 | 4/20/99 | 60.DHOG 512857 |
| Warner Elementary | 6757 Hwy 15, Warner (724-7534) | Monroe City Schools FlexServ (Monroe Main 318-340) | EDP | 724 to 340 (45 miles) | 64K / Flex | \$ 105.00 | \$ 87.30 | 4 | NSC1QBP8 | 5/13/99 | 60.DCCC 502014 |
| | | | | | | Subtotal | \$ 2,818.00 | Installation | | | |

Mark Stevenson is contact for order questions 318 322-8713 EXT 3045
Troy Lacroix is contact for installation questions at 435-8048
Bill All Circuits to Franklin Parish Schools - Data 1800 Prairie St., Winnsboro, LA 71295
All Magal, rates are B625 and E5F
All rates are month to month
Show sales code of SA18A21 and SCH of BBA6828050 on all orders
Include trade wire (VCA) at all locations (570 00)

Most of the circuits were installed connecting the school sites to the MCSD flexserv.

*Installation dates of the BellSouth circuits. These circuits were installed on or shortly after the due dates listed above.

Mr. Stevenson was listed as the contact for order questions. The number given was Mr. Stevenson's number at the MCSD.

Lincoln Parish School District

From July 2000 to June 2002, SEND was paid at least \$50,775 to provide Internet access to the Lincoln Parish School District (school district) under the E-Rate program. Of this amount, the school district paid SEND at least \$5,625 for Internet services not provided.

Fourth E-Rate Funding Year - During the period of July 2001 to June 2002, USAC records indicate that SEND was funded as the school district's ISP at a total cost of \$94,800. Based on the school district's 75% E-Rate discount, USAC would be responsible for paying \$71,100 with the school district paying the balance of \$23,700. According to SEND's ISP contract, SEND would provide direct T-1 Internet access to each school site at a monthly cost of \$7,900. This amount included a base charge of \$1,150 in addition to a \$375 school site charge for each of the district's 18 school sites.

From July 2001 to March 2002, SEND was paid to provide direct T-1 Internet access to 18 school sites in Lincoln Parish.

(F) COST SUMMARY:

| INTERNET ISP COSTS | QTY | COST | EXTENDED |
|---|-----|---------|----------|
| Base Charge per month | 1 | \$1,150 | \$1,150 |
| School Site Charge per month | 18 | \$375 | \$6,750 |
| Total per month | | | \$7,900 |
| Total per year | | | \$94,800 |
| Add: One time ISP Installation/Rework Costs | | | \$0 |
| Total Costs | | | \$94,800 |
| Billed to SLD | 75% | | \$71,100 |
| Billed to District | 25% | | \$23,700 |

Cost summary of SEND's 2001-02 Internet access contract with Lincoln Parish School District. This summary lists (18) school sites.

School District Technology Coordinator Debbie Sandidge stated that SEND only provided Internet access to 14 school sites.

On April 5, 2002, School District Technology Coordinator Debbie Sandidge stated that SEND did not provide direct Internet access to each school site. She explained that the school district's central office receives Internet access from SEND and then acts as a hub to provide Internet to the schools connected to the network (central office). Ms. Sandidge explained that she had planned to have all schools in the district connect directly to SEND but added that the school district's networking infrastructure has not changed. According to Ms. Sandidge, only 14 of the 18 schools in the district were connected to the network and receiving Internet access through the central office's connection to SEND.

Ms. Sandidge stated that three of the four schools not included in the network were Alma J. Brown School, Grambling Middle School, and Grambling High School, all of which receive Internet access through Grambling State University. The fourth school not included in the

school district network is Louisiana Tech University's laboratory school, A. E. Phillips. Ms. Sandidge added that SEND does not provide any services to these four schools.

From July 2001 to March 2002 (9 months), the school district paid SEND \$17,775 of the non-discounted portion for Internet service. On three separate occasions (during the 9-month period), SEND invoiced the school district for quarterly Internet access based on 18 school sites connected to the school district's network. These payments included \$3,375 ($\375×4 laboratory school sites \times 9 months of Internet service @ 25% discount), the school district's percentage of site charges for the four laboratory schools that did not receive any services from SEND.

After the legislative auditor began its investigation, SEND issued a \$4,500 credit to the school district which included \$3,375--the amount paid for schools not receiving Internet services from July 2001 to March 2002.

On May 17, 2002, when asked why SEND had billed the school district for direct Internet access to the laboratory schools, Ms. Sandidge stated that it was an oversight on her part. She explained that the laboratory schools were included in the school district's free and reduced lunch statistics used to calculate the E-Rate discount and that these schools should not have been included in SEND's Internet access contract. Ms. Sandidge added that SEND should have been aware of the number of schools that were receiving Internet access through the school district. She stated that part of the agreement requires that SEND monitor the computer lines that connect individual school sites to the network.

Ms. Sandidge indicated that she had spoken to Mr. Stevenson regarding the laboratory schools. She stated that Mr. Stevenson indicated that he would credit the school district for the services that were not provided. On July 22, 2002, SEND issued a credit memo to the school district to adjust the number of school sites that had received Internet access during the funding year from 18 school sites to 14 school sites. The school district's portion of these charges (\$3,375) were offset (credited) against Internet services provided to the school district during April, May, and June 2002.

In addition, Ms. Sandidge indicated that only three of the schools in the district received Internet access through T-1 connections during the funding year. The remainder of the schools (11) had 56K lines that connected to the school district central office. It appears that adjustments totaling \$12,000 were made on the July 22, 2002, credit memo issued by SEND for the delay of T-1 upgrades to school sites in the district. The school district's portion of these adjustments over the nine-month period billed by SEND was \$2,250 ($\$12,000$ @ 25% over 9 months).

SEND TECHNOLOGIES LLC
 2904 EVANGELINE ST.
 MONROE, LA 71201-3724
 PH. (318) 340-0750
 FAX (318) 340-0580

Credit Memo

DATE CREDIT NO.
 7/22/2002 1787

CUSTOMER

Lincoln Parish School Board
 Debbie Sandidge
 410 S. Farmerville Street
 Ruston LA 71270-4699

| | | P.O. NO. | PROJECT |
|--|-----|-----------|--------------------|
| DESCRIPTION | QTY | RATE | AMOUNT |
| Lincoln - ISP Service Charges: \$7,900.00 per month @ 25% with 75% billed to SLD Interpret - Apr - June 2002 | -3 | -1,975.00 | 5,925.00 |
| Lincoln - ISP Service Charges: Adjustment for billing 18 schools instead of 14 schools 12 months - YEAR 4 2001-02 \$1,500.00 per month @ 25% with 75% billed to SLD | -12 | 375.00 | -4,500.00 |
| Lincoln - ISP Service Charges: Adjustment for additional services delayed install 12 months YEAR 4 2001-02 \$1,000.00 per month @ 25% with 75% billed to SLD | -12 | 250.00 | -3,000.00 |
| Total | | | \$-1,575.00 |

The school district's ISP charges for April - June 2002 (based on 18 school sites). The charges for the additional four school sites were then deducted in the form of a credit (see next line item).

Adjustment made for billing the school district for 18 school sites instead of 14 over the twelve-month period beginning in July 2001 and ending June 2002. Before this credit, SEND had billed for four additional school sites @ \$375 per site each month from July 2001 to March 2002 (9 months). This resulted in the school district paying SEND \$3,375 (4 sites @ \$375 x 9 months @ 25%) for services not provided.

Tensas Parish School District

From April 1998 to June 2002, SEND was paid \$177,689 to provide Internet access to the Tensas Parish School District (school district) under the E-Rate program. During this period, it appears that SEND was paid a total of \$37,790 for Internet services not provided.

From April 1998 to June 2002, SEND was paid \$37,790 for Internet access that was not provided.

First E-Rate Funding Year - From April 1998 to June 1999 (15 months), the school district contracted with SEND as its Internet service provider (ISP). USAC records indicate that SEND was funded as the school district's ISP from April 1998 to June 1999 for a total of \$29,250 (15 months @ \$1,950). SEND's monthly charge included a base rate of \$1,350 for the central office and \$600 for six school sites connected to the network. As a result of the school district's 87% E-Rate discount, USAC made payments to SEND totaling \$25,448 while the school district paid SEND \$3,802 (13%) for the non-discounted portion of the ISP charges.

SEND's invoice for Internet access provided to the school district during the 1998-99 E-Rate funding year.

SEND Technologies, L.L.C.
2904 Evangeline Street
Monroe, LA 71211
(318) 340-0750

Invoice

| | |
|--------------------|-------------------|
| DATE 11/12/1999 | INVOICE # 1086 |
|--------------------|-------------------|

BILL TO
Tensas Parish School Board
William Fletcher
504 Plank Road
Saint Joseph, LA 71366

SEND's invoice did not indicate the months in which the school district received Internet access.

| P.O. NO. | TERMS | PROJECT |
|----------|----------------|---------|
| | Due on receipt | |

| QUANTITY | DESCRIPTION | RATE | AMOUNT |
|----------|--|----------|-------------------|
| | Tensas Parish: ISP Service Charges: Per SLC Contract 98-99 Billed @ 13% with 87% billed to SLC | 3,802.50 | 3,802.50 |
| | Total | | \$3,802.50 |

Invoice amount was based on the school district's portion (13%) of monthly Internet charges totaling \$1,950 per month for 15 months (April 1998 to June 1999).

Dr. Fletcher, school district technology coordinator, stated that SEND did not provide Internet access to the school district until May or June 1999.

Arthur Johnson, former school district technology coordinator, stated that Dr. William Fletcher replaced him as the technology coordinator in December 1998. Mr. Johnson explained that the school district was not receiving Internet access at that time. Dr. Fletcher stated that when he became the technology coordinator in December 1998, the school district was still accessing the Internet through IAmerica dial-up accounts. He stated that SEND did not begin providing Internet access until May or June 1999. He added that the school district had only five school sites receiving Internet access from SEND during this time.

BellSouth records indicate that the school district's first digital circuit (64K line) was installed on March 2, 1999, connecting Routhwood Elementary to the MCSD flexserv. During April 1999, additional circuits (64K lines) were installed at Lisbon Elementary School and Tensas Elementary School connecting each site to the MCSD flexserv. Circuits (T-1 lines) were also installed at Davidson and Newellton High Schools connecting these sites to the district central office. Finally, in May 1999, a T-1 line was installed connecting the district central office to SEND's office in Monroe. Dr. Fletcher stated that the school district began receiving Internet access from SEND only after these lines were in place.

BellSouth's record of digital circuit installations during April and May 1999

| Circuit | CXL 1 | CXL 2 | Tariff | DOC | Circuit Description | Install | Monthly | Installation Priority | Order Number | Due Date | Circuit ID |
|-----------------------------------|---|--|--------|--------------------------|---------------------|-------------|-------------|-----------------------|--------------|----------|----------------|
| Tensas Parish Schools Main office | 504 Plank Road, St. Joseph (see loc at 766-3289) | Send Technology, 1900 Lamy Lane, Suite H, Monroe (340-0750) | EDP | 766 to 340 (56 miles) | T-1 | \$ 140.00 | \$ 358.00 | 1 | H58C3M49 | 8/6/99 | 60 DMDG 512877 |
| Davidson High School | @ St. Joseph, AHN 4525 (766-3565) | 504 Plank Road, St. Joseph (see loc at 766-3289) | tariff | N/A | T-1 | \$ 1,399.00 | \$ 290.00 | 2 | H5C59TLD | 4/23/99 | 60 DMDG 512653 |
| Newellton High School | @ Newellton, AHN 4346 (467-5109) | 504 Plank Road, St. Joseph (see loc at 766-3289) | EDP | 467 to 766 (11 miles) | T-1 | \$ 140.00 | \$ 358.00 | 2 | H5FW61G7 | 4/21/99 | 60 DMDG 512654 |
| Tensas Elementary | @ St. Joseph, AHN 4675 (766-3346) | Monroe City Schools FlexServ (Monroe Main 318-340) | EDP | 766 to 340 (56 miles) | 64K / Flex | \$ 105.00 | \$ 67.30 | 3 | H5GHW0393 | 4/30/99 | 60 DCCC 502004 |
| Lisbon Elementary | @ Waterproof, AHN 4343 (749-3367) | Monroe City Schools FlexServ (Monroe Main 318-340) | EDP | 749 to 340 (54 miles) | 64K / Flex | \$ 105.00 | \$ 67.30 | 3 | H5QRCB46 | 4/27/99 | 60 DCCC 502005 |
| | | | | | | ===== | ===== | | | | |
| | | | | | | \$ 1,089.00 | \$ 1,140.60 | | | | |

Mark Stevenson is contact for order questions 318 322-6713 EXT 3043
 Arthur Johnson is contact for installation questions at 766-3269
 Bell All Circuits to Tensas Parish Schools - Date, P.O. BOX 318, St. Joseph, LA 71365
 All Megalinks are BRZS and ESF
 All rates are month to month
 Show sales code of 5416401 and 5416402 BBA9928050 On all orders
 include inside wire at all locations

Note that these
circuits were installed
to the Monroe City
Schools Flexserv.

Circuits were
installed on or
after the date
listed for each
site.

The BellSouth schedule above indicates the installations of the school district's original digital circuits. The circuits were installed on or shortly after the due dates listed on the schedule. Although Routhwood Elementary School is not listed on the schedule, a circuit was installed connecting the school to the MCSD flexserv on March 2, 1999. It should be noted that the schedule indicates that Mark Stevenson is the contact for order questions. The number listed next to Mr. Stevenson's name was his phone number at the MCSD.

Based on BellSouth circuit installations, it appears that SEND could not have provided Internet access to the school district from April 1998 to February 1999 since the school sites were not equipped with digital circuits. During this period, SEND was paid a total of \$21,450 (11 months @ \$1,950). Although one school site (Routhwood) was capable of receiving Internet access during March 1999, SEND was paid \$1,950 resulting in an overpayment of \$1,850 (\$1,350 for the central office and \$500 for five school sites not capable of receiving Internet).

Although five school sites were capable of receiving Internet access during April 1999, it appears that SEND overbilled the school district and USAC a total of \$1,450 (\$1,350 for the central office and one school site) as there was still no connection between the school district central office and SEND. Finally, SEND overbilled a total of \$200 during May and June 1999 (\$100 each month for one additional site), as the central office supported only five school sites instead of six school sites during these months.

In total, it appears that SEND was paid at least \$24,950 for Internet services that were not provided to the school district from April 1998 to June 1999. This amount included \$21,707 (87%) in USAC discounts as well as direct payments from the school district totaling \$3,243 (13%). On August 12, 2002, SEND issued a credit memo to the school district for services not provided during the 1998-99 funding year. The total amount of the credit was \$25,350 (\$1,950 @ 13 months). Of this amount, \$3,802 (13%) was credited against current charges to the school district. According to Mr. Stevenson, USAC's portion of the credit \$22,055 (87%) would be deducted from future billings.

Fourth E-Rate Funding Year - On January 4, 2001, SEND contracted with the Tensas Parish School District to provide Internet services for the fourth funding year (July 2001 to June 2002). According to the contract, SEND would provide Internet access to the school district at a monthly charge of \$6,720. This amount included a base rate of \$1,370 and school site charges totaling \$5,350 (\$1,070 per site) for five schools. Based on the total amount of the contract, \$80,640 (12 months @ \$6,720) and the school district's E-Rate discount of 87%, USAC made payments to SEND totaling \$70,157. The school district paid the non-discounted portion of ISP charges totaling \$10,483 (13%).

Cost summary from SEND's ISP contract during the fourth E-Rate funding year.

| (F) COST SUMMARY: | | | |
|---|------------|-------------|-----------------|
| INTERNET ISP COSTS | QTY | COST | EXTENDED |
| Base Charge per month | 1 | \$1,370 | \$1,370 |
| School Site Charge per month | 5 | \$1,070 | \$5,350 |
| Total per month | | | \$6,720 |
| Total per year | | | \$80,640 |
| Add: One time ISP Installation/Rework Costs | | | \$0 |
| Total Costs | | | \$80,640 |
| Billed to SLD | 87% | | \$70,157 |
| Billed to District | 13% | | \$10,483 |

Dr. Fletcher stated that the school district had four school sites that received Internet access from SEND. He explained that Newellton and Davidson High Schools each have T-1 lines that connect the sites to the district central office. He added that the district central office then goes to SEND via a T-1 line. Dr. Fletcher further explained that separate T-1 lines connect Tensas and Lisbon Elementary Schools directly to SEND.

The amounts paid to SEND for Internet access during the fourth funding year were based on SEND providing Internet access to five school sites. According to Dr. Fletcher, the school district only had four school sites with Internet access during the year (July 2001 to June 2002) because Routhwood Elementary closed in May 2001. Although the school district's contract with SEND was written before the closing of Routhwood Elementary School in May 2001, no billing adjustments were made to either the school district or USAC. As a result, it appears that SEND was paid \$12,840 (12 months @ \$1,070) in school site charges for a school site that was closed. Of this amount, USAC paid \$11,171 (87%) and the school district paid \$1,669 (13%). Dr. Fletcher stated that if the school district was charged for Internet access to Routhwood during the 2001-02 year, then SEND should either reimburse the school district for these charges or credit the school district for future services.

Madison Parish School District

From July 1998 to June 2002, SEND was paid a total of \$189,873 to provide Internet access to the Madison Parish School District (school district) under the E-Rate program. Of this amount, it appears that SEND was paid \$12,429 in Internet access charges for school sites that did not receive Internet access.

First E-Rate Funding Year (1998-1999) - E-Rate records indicate that SEND was funded as the school district's Internet service provider (ISP) from April 1998 to June 1999 for \$33,750 (15 months @ \$2,250). According to the school district's contract for Internet access, SEND would provide one direct Internet access connection to a central office supporting nine school sites for \$2,250 per month. This amount included \$1,350 for the central office's connection to SEND plus \$100 per school site (9) connected to the school district's central office.

During this period, SEND invoiced the school district and USAC for their respective portions of Internet access charges for the twelve-month period beginning in July 1998 and ending in June 1999. The amount SEND billed the school district each month (\$2,350) was based on one direct Internet access connection to the school district's central office supporting ten school sites. These invoices resulted in payments to SEND totaling \$28,200 (\$2,350 @ 12 months) leaving the contract with a funded balance of \$5,550 (\$33,750 - \$28,200).

| SEND Technologies, L.L.C. 1900 Lamy Lane Suite H Monroe LA 71201 | | <h1 style="margin: 0;">Invoice</h1> | | | | | | | | | |
|---|--|---|--|--|----------|--|--------|----------|--|--|--|
| | | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 50%;">DATE</th> <th style="width: 50%;">INVOICE #</th> </tr> <tr> <td style="text-align: center;">6/8/1999</td> <td style="text-align: center;">1053</td> </tr> </table> | DATE | INVOICE # | 6/8/1999 | 1053 | | | | | |
| DATE | INVOICE # | | | | | | | | | | |
| 6/8/1999 | 1053 | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left; padding: 2px;">BILL TO</th> </tr> <tr> <td style="padding: 2px;"> Madison Parish School Board Karl Kowitz/Ann Semien PO Box 1620 Tallulah LA 71282-1620 </td> </tr> </table> | | BILL TO | Madison Parish School Board Karl Kowitz/Ann Semien PO Box 1620 Tallulah LA 71282-1620 | <div style="border: 1px solid black; padding: 5px; background-color: #f0f0f0;"> This invoice represents SEND's billing to the school district for Internet access from April 1999 to June 1999. SEND had previously billed the school district for Internet access provided from July 1998 to March 1999. It should be noted that all billings were based on providing Internet access to ten school sites. </div> | | | | | | | |
| BILL TO | | | | | | | | | | | |
| Madison Parish School Board Karl Kowitz/Ann Semien PO Box 1620 Tallulah LA 71282-1620 | | | | | | | | | | | |
| | | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 33%;">P.O. NO.</th> <th style="width: 33%;">TERMS</th> <th style="width: 33%;">PROJECT</th> </tr> <tr> <td style="height: 20px;"></td> <td></td> <td></td> </tr> </table> | P.O. NO. | TERMS | PROJECT | | | | | | |
| P.O. NO. | TERMS | PROJECT | | | | | | | | | |
| | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 15%;">QUANTITY</th> <th style="width: 55%;">DESCRIPTION</th> <th style="width: 20%;">RATE</th> <th style="width: 10%;">AMOUNT</th> </tr> <tr> <td style="text-align: center; vertical-align: top;">3</td> <td style="vertical-align: top;"> ISP Services - Madison Parish \$1350/mo + \$100 x 10 schools billed at 22% with 78% billed to SLC Apr - June 1999 </td> <td style="text-align: center; vertical-align: top;">517.00</td> <td style="text-align: center; vertical-align: top;">1,551.00</td> </tr> </table> | QUANTITY | DESCRIPTION | RATE | AMOUNT | 3 | ISP Services - Madison Parish \$1350/mo + \$100 x 10 schools billed at 22% with 78% billed to SLC Apr - June 1999 | 517.00 | 1,551.00 | | | |
| QUANTITY | DESCRIPTION | RATE | AMOUNT | | | | | | | | |
| 3 | ISP Services - Madison Parish \$1350/mo + \$100 x 10 schools billed at 22% with 78% billed to SLC Apr - June 1999 | 517.00 | 1,551.00 | | | | | | | | |

Carl Kowitz, former school district technology coordinator and current business manager, stated that seven sites (including the central office) were connected to the Internet at some point during the first funding year. An e-mail from Mr. Stevenson to Mr. Kowitz on May 17, 2000, indicates that as of January 1999, the central office and three schools were connected to the Internet and that three more sites were added as of June 1999. BellSouth records confirm that these three school sites were added between June 7, 1999, and June 30, 1999. Mr. Stevenson further explains that all schools were connected in some manner during the first funding year. Mr. Kowitz could not explain why SEND billed the school district for ten school sites during each month of the first funding year nor why the school district paid the invoices.

From July 1998 to May 1999 (11 months), SEND was paid \$2,350 per month which included Internet access to the central office supporting ten school sites. However, because the school district only received Internet access to the central office and three school sites, it appears that SEND was paid \$700 (7 sites @ \$100) each month for Internet access not provided resulting in overpayments totaling \$7,700 (\$700 x 11 months). In addition, SEND was paid \$2,350 in May 1999 even though only the central office and six school sites received Internet access resulting in an overpayment of \$400 (4 sites @ \$100).

Carl Kowitz

From: Mark Stevenson [msteve@nls.k12.la.us]
Sent: Wednesday, May 17, 2000 5:33 PM
To: ckowitz@nls.k12.la.us
Subject: Re:

Carl,

As of January, 1999 you had the following:

| | | |
|----------------|-------|---|
| Central office | 56 KB | |
| Tallulah High | 56 KB | ← |
| McCall Jr | 56 KB | |
| McCall Sr | 56 KB | |

As of June, 1999 you had the following added:

| | | |
|---------------|-------|---|
| Tallulah Elem | 56 KB | ← |
| Thomastown | 56 KB | |
| Wright Elem | 56 KB | |

In addition, in June 1999 the following were upgraded:

| | | |
|----------------|----|---|
| Central Office | T1 | |
| Tallulah High | T1 | ← |

I believe the correct answer therefore, would be that all schools were connected in some manner during Year 1, but two locations were upgraded to T1 near the end of Year 1.

I apologize for taking so long to send this; if you want me to FAX it to the SLD, please just send me a reply (and the fax number if you have it)

Thanks,

Mark Stevenson
 SEND Technologies
 2904 Evangeline Street
 Monroe, LA 71201
 (318) 340-0750 Voice
 (318) 340-0580 FAX

BellSouth records indicate that circuits were in place in these locations throughout the first E-Rate funding year.

BellSouth records indicate that these circuits were not installed until June 1999 (the final month of the first E-Rate funding year).

Mr. Stevenson acknowledges that only six school sites were connected to the Internet in some manner during the first E-Rate funding year.

E-mail from Mr. Stevenson to Mr. Kowitz on May 17, 2000, indicating the number of school sites that SEND provided Internet access to from July 1998 to June 1999. Although it appears that SEND provided Internet access to six school sites, SEND billed the school district and USAC for ten school sites (see previous page).

Finally, SEND appears to have received an additional \$4,329 from USAC for quarterly Internet access that was not provided during the funding year. As mentioned above, SEND invoiced the school district and USAC for their respective portions of Internet access services provided from July 1998 to June 1999. These invoices resulted in payments to SEND totaling \$28,200 (12 months @ \$2,350) leaving the contract with a funded balance of \$5,550. In November 1999, SEND submitted an additional invoice to USAC for the discounted portion of quarterly Internet access charges. Although SEND's invoice was based on the discounted portion of three months at \$2,350 (\$7,050 @ 78% = \$5,499), USAC only paid SEND \$4,329 (\$5,550 @ 78%) which was the discounted portion of the contract's remaining balance. According to school district records, the school district did not receive an invoice from SEND nor did the school district make any payments to SEND for its (school district's) portion of the balance.

Based on this information, it appears that SEND received payments totaling \$12,429 for Internet access services not provided to the school district during the first funding year. Of this amount, USAC paid \$9,695 (78%) and the school district paid \$2,734 (22%).

On August 12, 2002, SEND issued a credit memo to the school district totaling \$8,400 for services not provided during the 1998-99 funding. The school district's portion (\$1,848) was credited against current billings. In a letter explaining the credit, Mr. Stevenson indicated that USAC's portion of the credit (\$6,552) would be deducted from future billings.

Webster Parish School District

From April 1999 to March 2002, SEND was paid at least \$98,188 to provide Internet access to the Webster Parish School District (school district) under the E-Rate program. Of this amount, SEND was paid \$12,320 for Internet services not provided.

First E-Rate Funding Year (1998-1999) - School district records indicate that SEND provided Internet access to the school district central office during April, May, and June 1999 at a rate of \$1,350 per month for a total of \$4,050.

On August 12, 1999, SEND invoiced the school district \$932 (\$4,050 @ 23%) for the non-discounted portion of the ISP charges. In addition, SEND billed the school district \$230 (\$1,000 @ 23%) for installation services. On August 26, 1999, the school district issued a check to SEND in the amount of \$1,161 (\$5,050 @ 23%) for the non-discounted portion of these charges.

Based on the total charges (\$5,050) that SEND submitted to the school district, USAC would have been responsible for paying \$3,888 (77%). However, USAC disbursement records indicate that SEND was paid a total of \$5,814 resulting in an overpayment of \$1,925.

Fourth E-Rate Funding Year (2001-2002) - On January 12, 2001, the school district contracted with SEND for Internet access during the 2001-02 funding year. According to SEND's proposal for Internet services, SEND would provide T-1 point-to-point links from the schools to the school district alternative school (which serves as the networking central location) with a minimum of three megabyte (3MB) ISP service from the alternative school to SEND. During prior years, the school district's Internet connection from SEND was through a T-1 line.

Linda Williams, school district technology coordinator, explained that the 3MB connection would double the bandwidth connecting the alternative school to SEND increasing the speed of Internet service. Ms. Williams further indicated that SEND would upgrade the school district's routers under the ISP agreement. According to the school district's ISP agreement with SEND, these services were to be provided for a total of \$167,400 (\$13,950 monthly).

According to Ms. Williams, SEND did not provide the school district with the 3MB ISP service or the router upgrades during the funding year. Ms. Williams explained that the delays were attributed to the school district not receiving E-Rate funding approval until the end of the funding year. She added that the school district currently has a T-1 point-to-point link from the alternative school to SEND and that Mr. Stevenson informed her that he would issue the school district a refund check for services not provided.

During the funding year, the school district made payments to SEND for Internet services provided from July 2001 to March 2002. On August 22, 2002, SEND issued a credit memo to the school district that included adjustments for upgrades not provided during the year. According to the credit, SEND had included \$175 per school (22) per month for the router and 3MB ISP upgrades resulting in charges totaling \$34,650 ($\$175 \times 22 \text{ schools} \times 9 \text{ months}$) from July 2001 to March 2002 for services not provided. The school district's portion of these charges was \$10,395 (30%). The credit also stated that the appropriate adjustments would be made on future billings to USAC.

Caldwell Parish School District

Fourth E-Rate Funding Year (2001-2002)

School district and E-Rate records indicate that SEND was paid \$82,200 to provide Internet access to the school district from July 2001 to June 2002. According to the contract, SEND would provide direct T-1 Internet access to each school site at a monthly rate of \$6,850. The monthly cost included a base rate of \$1,360 for a connection to the district central office and \$915 for each of the six school sites in the district.

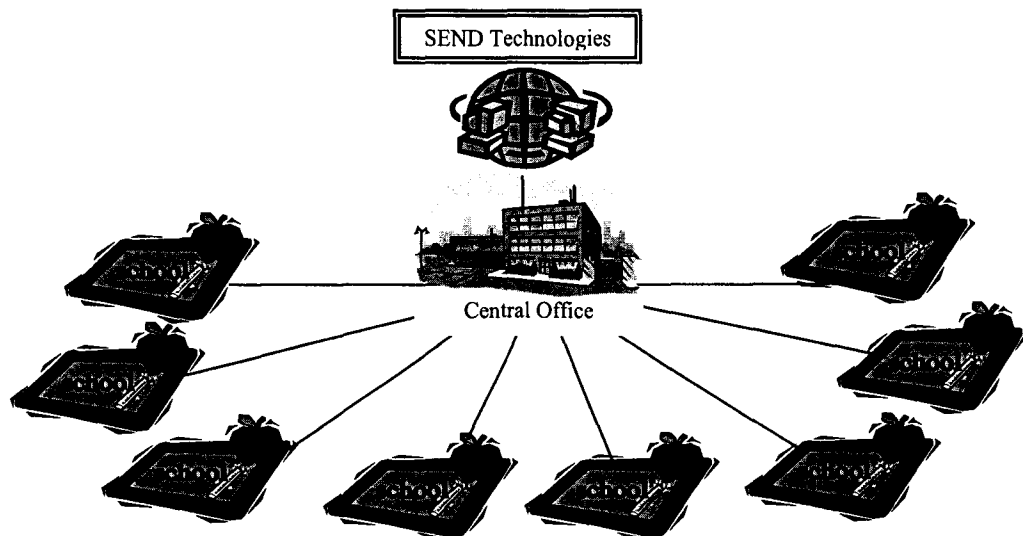
Mary Stephens, school district technology coordinator, stated that only one school in the district (Caldwell High School) is equipped with a T-1 connection to the district central office. She added that the other schools in the district are equipped with 64K lines. On December 12, 2002, SEND issued a credit memo to the school district adjusting the price paid by the school district (and USAC) for five school sites from \$915 per month to \$490 per month. According to Martha Simons, school board superintendent, the credit was issued for T-1 upgrades to the five school sites that were not installed during the period. This resulted in a credit totaling \$25,500 over the 12-month funding period that was applied to billings during the current year (2002-03).

SEND billed eleven school districts annual Internet Service Provider (ISP) charges ranging from \$80,640 to \$112,200 for enhanced services (school sites connected directly to the ISP) that were not provided. SEND billed the districts for high-speed configurations while actually providing Internet service through a lower-speed configuration.

During the first and second E-Rate funding years, SEND was paid between \$27,000 and \$30,600 per year for providing Internet access to ten school districts.

During the first and second E-Rate funding years, (1998-99 and 1999-2000), Caldwell, Catahoula, Claiborne, Concordia, Franklin, Jackson, Madison, Morehouse, Richland, and Tensas Parish School Districts awarded Internet access contracts to SEND totaling \$431,907. According to SEND's proposal, the configuration consisted of connections from the school sites to the school district central office and a connection from the central office to SEND. Under this configuration, the central office provides Internet access to each individual school site. Annual Internet access costs to the districts during these years ranged between \$27,000 and \$30,600, which included an average of \$1,350 per month for a direct connection from SEND to each school district central office. In addition, most districts paid an average of \$100 per month per school site connected to the districts' network (central office).

The diagram below illustrates the configuration through which the school districts receive Internet access (through their central offices) from SEND and then distribute the access to the school sites within their district.



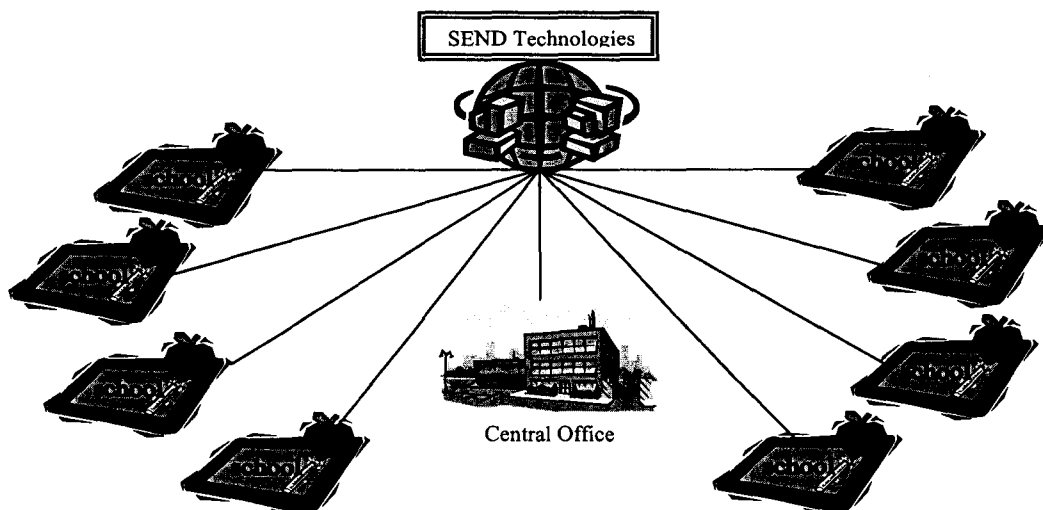
During the third E-Rate funding year, 11 school districts (those noted previously with the addition of Lincoln Parish) contracted with SEND to provide Internet access. Though Internet access cost increased significantly from a maximum of \$30,600 during the second funding year to an average of \$60,000 during the third funding year (2000-01), school district employees could not provide us with a contract adequately describing the services to be provided. SEND's ISP service orders provided by school district personnel only indicated that SEND would provide dedicated T-1 Internet services for all schools. When asked to explain the increase in cost, technology coordinators offered several responses indicating that the increase was due to on-site network support or indicating that they were not sure what caused the increase.

SEND's Internet access cost to the school districts increased significantly from \$30,600 during the second funding year to an average of \$60,000 during the third funding year.

During the fourth funding year, SEND was paid annual charges ranging from \$80,640 to \$112,200 for Internet access provided to the school districts.

According to SEND's contracts for the fourth funding year, SEND was to provide the school districts' Internet access under a configuration by which the school sites in each district would have their own direct T-1 connections to SEND. This configuration would allow each school site to bypass the central office to receive faster Internet service. During the fourth funding year, each school district paid SEND monthly base charges ranging from \$1,150 to \$1,375. In addition, SEND was paid school site charges ranging from \$375 to \$1,070 per school site per month to connect directly to SEND for Internet access. Under this billing structure, annual Internet access costs ranged from \$80,640 to \$112,200.

The diagram below illustrates the configuration described in SEND's proposal for Internet access for the 2001-02 funding year. This configuration would allow each school site in the district to bypass the central office to receive faster Internet service.



Although SEND billed the school districts based on its configuration, technology coordinators in Caldwell, Catahoula, Claiborne, Concordia, Franklin, Lincoln, Morehouse, and Richland Parish School Districts indicated that individual school sites in their districts did not have separate T-1 links connecting directly to SEND.

Lincoln Parish School District

Debbie Sandidge, technology coordinator for the Lincoln Parish School District, stated that each school in the district was connected to the central office with either a T-1 or 56K line. She explained that the school district central office receives Internet access from SEND and then acts as a hub to provide Internet access to the schools connected to the central office. According to Ms. Sandidge, by connecting directly to SEND, school sites would have faster Internet access. Ms. Sandidge explained that she had planned to link the schools in Lincoln Parish directly to SEND during the fourth funding year and that SEND's cost for Internet access was based on this configuration.

Madison Parish School District

During the course of the funding year (July 2001 to June 2002), SEND was paid \$82,680 for providing direct Internet access to seven school sites at the Madison Parish School District. Although five of the school district's seven school sites were provided with direct T-1 connections to SEND, it appears that two school sites were not connected directly to SEND. Ann Thomas, school district technology coordinator, stated that Tallulah High School and Tallulah Junior High School share a single T-1 line that connected Tallulah High School to the school district central office. SEND was paid \$19,200 (2 sites @ \$800 per site x 12 months) to provide individual direct T-1 Internet access to these two school sites during the funding year.

Tensas Parish School District

SEND received payments totaling \$80,640 for providing Internet access to five school sites at the Tensas Parish School District during the fourth funding year. Dr. William Fletcher, school district technology coordinator, stated that Tensas Elementary School, Lisbon Elementary School, and the school district central office each have T-1 links directly to SEND. However, BellSouth records indicate that the school site (Tensas and Lisbon) T-1 links were not established until November 2001, more than four months into the funding year. Before installing the T-1 lines, these schools received Internet access through low-speed 64K lines. As a result, from July 2001 to October 2001, SEND was paid a total of \$8,560 (\$1,070 per school per month) for Internet access through 64K connections.

Dr. Fletcher added that Davidson and Newellton High Schools are not directly linked to SEND as each school has a T-1 link to the central office. SEND was paid \$25,680 (2 sites @ \$1,070 per site @ 12 months) to provide direct Internet access to these two school sites during the funding year.

Franklin Parish School District

From July 2001 to June 2002, SEND was paid \$112,200 to provide direct Internet access to 11 school sites at the Franklin Parish School District. SEND was paid a monthly charge of \$725 per school site to provide direct Internet access. Thoy Leonard, school district technology coordinator, stated that although she had spoken to SEND about the possibility of connecting the school sites directly to SEND, this has never been done. She added that the school district has ten school sites that go through the school district central office to receive Internet access. Mike Gandy, school district technology supervisor, stated that the eleventh school site is the Franklin Alternative School. According to Mr. Gandy, the Franklin Alternative School is not connected to the central office through a T-1 digital circuit. He explained that the Franklin Alternative School connects to Winnsboro Junior High School in order to receive Internet access. Although the alternative school receives its Internet access through Winnsboro Junior High School, SEND was paid \$8,700 (\$725 @ 12 months) for providing direct T-1 Internet access to the Franklin Alternative School during the funding year.

Caldwell Parish School District

Records indicate that SEND was paid \$82,200 to provide direct T-1 Internet access to six school sites in the district during the 2001-02 funding year. As stated in a previous finding (see page 30), T-1 upgrades were not added to five of the district's six schools during the funding year.

School Districts Failed to Maintain Adequate Documentation of On-site Internet Network Support Services Performed by SEND

From July 1999 to June 2000, SEND contracted with at least six school districts to provide Internet on-site network support services for a total cost of \$405,600. Of this amount, SEND was paid \$402,280 to provide each of the school districts with on-site technical support for the districts' network operations which included programming, monitoring, and troubleshooting of routers at each school site and school district central office. The contract also provided for support of the school district's data wire (category 5) installations and maintenance and support for future Internet services.

During the same period, SEND included as part of its ISP contract with these school districts, remote monitoring of the central offices' routers and network for each school site connected to the Internet. In addition, SEND's ISP contract included remote programming, troubleshooting and monitoring the network operation, and support for the operation system, software, servers, routers, and desktop computers.

Findings

| | School District | E-Rate Funding Period | Service Provided | Number of School Sites | Hours Per Week | Number of Weeks | Cost Per Hour | Amount Paid to SEND on Contracts |
|----|-----------------|-----------------------|------------------------------------|------------------------|----------------|-----------------|---------------|----------------------------------|
| 1. | Caldwell | 1999/2000 | Network Support Services (12 mos.) | 6 | 16 | 52 | \$75.00 | \$62,400.00 |
| 2. | Claiborne | 1999/2000 | Network Support Services (12 mos.) | 9 | 16 | 52 | \$75.00 | 59,080.74 |
| 3. | Franklin | 1999/2000 | Network Support Services (12 mos.) | 12 | 24 | 52 | \$75.00 | 93,600.00 |
| 4. | Jackson | 1999/2000 | Network Support Services (12 mos.) | 12 | 16 | 52 | \$75.00 | 62,400.00 |
| 5. | Madison | 1999/2000 | Network Support Services (12 mos.) | 12 | 16 | 52 | \$75.00 | 62,400.00 |
| 6. | Tensas | 1999/2000 | Network Support Services (12 mos.) | 6 | 16 | 52 | \$75.00 | 62,400.00 |
| | | | | | | | | <u>\$402,280.74</u> |

During our review of the on-site network support contracts, we noted that the school districts failed to maintain an adequate record of on-site network services to support whether or not SEND complied with the terms of the contract. Since the school districts did not maintain documentation of the dates, times, or services performed by SEND's technicians, we were unable to determine if the school districts received the services for which they paid.

Cindy Mohler, former school district technology coordinator and current Technology Coordinator Mary Stephens, of Caldwell Parish School District both stated that SEND provided the district with a technician approximately twice per week. According to Ms. Mohler, the technician worked on-site trouble shooting or correcting whatever problems the district had with the network. However, neither Ms. Mohler nor Ms. Stephens could provide us with an accounting of the 16 hours per week SEND technicians were to perform under the on-site Internet network support contract.

Claiborne Parish School District Technology Coordinator Janet Holland stated that SEND maintains and monitors the district's network as part of its ISP contract. She stated that SEND did not assign an on-site technician to work at the school district. However, when she called SEND with a problem, they had been responsive to the calls. Ms. Holland stated that she only used approximately 50% of SEND's on-site network support contract.

Thoy Leonard, Franklin Parish School District technology coordinator, stated that SEND provided the district with a technician on a regular basis. However, in some cases, SEND would remotely correct a problem at the school district.

Ann Thomas, technology coordinator of Madison Parish School District, stated that she had a problem with SEND's on-site support contract because SEND did not provide the school district with an on-site technician once a week as Mr. Stevenson had told them. She stated that there were times when the school district needed a technician, she called SEND, and did not get a technician until the following week. She explained that it is possible that she used SEND's technicians more than once or twice a week. However, she is sure a technician was not on site at the school district for 16 hours each week (as required by the school district's contract with SEND).

Dr. William Fletcher, Tensas Parish School District technology coordinator, stated that the school board's on-site network support contract allowed SEND to handle problems that he could not handle. Dr. Fletcher stated that SEND did not house a technician at the school district, but added if he had problems that he could not handle, he would call SEND and they would send a technician to the school district.

Ronald Lofton, Catahoula Parish School District technology coordinator, stated that although his school district did not have a separate on-site network support contract with SEND, Mr. Stevenson informed him that if his school district had any network problems, SEND would take care of it under its ISP agreement.

These actions indicate that one or more of the following laws may have been violated:

- 18 U.S.C. §666, "Theft or Bribery Concerning Programs Receiving Federal Funds"²
- R.S. 14:67, "Theft"³
- R.S. 14:134, "Malfeasance in Office"⁴
- Article 7, Section 14 of the Louisiana Constitution⁵

The actual determination as to whether an individual is subject to formal charge is at the discretion of the district attorney or the United States Attorney.

² 18 U.S.C. §666 provides, in part, that theft concerning programs receiving federal funds occurs when an agent of an organization, state, local, or Indian tribal government or any agency thereof embezzles, steals, obtains by fraud, or otherwise intentionally misapplies property that is valued at \$5,000 or more and is owned by or under control of such organization, state, or agency when the organization, state, or agency receives in any one year period, benefits in excess of \$10,000 under a federal program involving a grant contract, or other form of federal assistance.

³ R.S. 14:67 provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

⁴ R.S. 14:134 provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

⁵ Article 7, Section 14 of the Louisiana Constitution provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

Recommendations

We recommend that the school boards (1) establish and implement controls to ensure that district funds and assets are not used for personal purposes, and (2) establish policies and procedures to ensure that vendors comply with contractual agreements. In addition, we recommend that the school district's technology coordinator, business manager, and members of the school district's finance committee review all E-Rate contracts and billings to ensure that payments are made only for those services that are provided.

We further recommend that the United States Attorney for the Western District of Louisiana and the district attorneys for the appropriate judicial districts of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Attachment I

Additional Information

Additional Information

SEND billed eleven school districts annual Internet Service Provider (ISP) charges ranging from \$80,640 to \$112,200 for enhanced services (school sites connected directly to the ISP) that were not provided. SEND billed the districts for high-speed configurations while actually providing Internet service through a lower-speed configuration.

Several of the school districts responding to this finding have interpreted “enhanced services” as Internet access through upgraded T-1 connections. The legislative auditor’s reference to “enhanced services” relates to the configuration proposed in SEND’s contract during the fourth funding year that provided for the schools within each district to bypass the central office and connect directly to SEND. Under the proposed configuration, each school site would have its own T-1 connection to SEND increasing its bandwidth and ultimately the speed of Internet access to the school.

The legislative auditor is aware that most of these school districts received Internet access through T-1 connections to their respective district central office during the third year. SEND’s ISP service orders for the third funding year that school district personnel provided to auditors simply stated that SEND would provide T-1 Internet access to all school sites. However, a review of school district and BellSouth records indicate that several schools in these districts did not have T-1’s in all school sites until the fourth funding year. Furthermore, we find it questionable that many of these districts received the same service (T-1 connections to the central office) during the fourth funding year at a higher price.

As stated above, the school districts paid SEND between \$80,640 and \$112,200 for Internet access where the school sites were connected to the central office and then routed to SEND. However, we noted that at least one district received a proposal for the fifth funding year (from a vendor other than SEND) for comparable services at a cost of \$34,500, substantially less than that charged by SEND.

Attachment II

Managements' Responses

The response received from Morehouse Parish was voluminous and for that reason has not been included in its entirety. However, it may be viewed at the Office of the Legislative Auditor in Baton Rouge.

Mary Taylor, President

C. R. Martin
Marilyn Warren
John McIlwain
Bob Frazier
Drew Keshey

Ward 1
Ward 2
Ward 3
Ward 4
Ward 5

Caldwell Parish School Board

P. O. Box 1019
Columbia, Louisiana 71418
Ph. (318) 649-2689 - Fax. (318) 649-0636

Martha T. Simons, Superintendent

Barbara Hall
Mark May
Baron Glass
Mary Taylor
Hershel Volentine

Ward 6
Ward 7
Ward 8
Ward 9
Ward 10

December 20, 2002

Dr. Daniel G. Kyle
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Please find enclosed my response to the investigative audit report on the Caldwell Parish School District. I trust that this information will be sufficient to conclude this report.

Should you need any further information do not hesitate to contact me.

Sincerely,



Martha T. Simons
Superintendent
Caldwell Parish School Board

RECEIVED
LEGISLATIVE AUDITOR
02 DEC 23 AM 10:59

Mary Taylor, President

Caldwell Parish School Board

Martha T. Simons, Superintendent

C. R. Martin
Marilyn Warren
John McIlwain
Bob Frazier
Drew Keahey

Ward 1
Ward 2
Ward 3
Ward 4
Ward 5

P. O. Box 1019
Columbia, Louisiana 71418
Ph.(318) 649-2689 - Fax. (318) 649-0636

Barbara Hall
Mark May
Baron Glass
Mary Taylor
Hershel Volentine

Ward 6
Ward 7
Ward 8
Ward 9
Ward 10

Management Response:

1. SEND Technology has credited Caldwell Parish School Board for adjustments of ISP service charges for upgrades to T1 lines, which were not installed during that period.

The Caldwell Parish School Board will require a detailed contract for services, which itemize the services to be provided at each site including a date for completion of services. The system will also require itemized invoices, which can be matched to the specific contract. No payment will be authorized without such detail including an authorized signature on completion.

Invoice

SEND TECHNOLOGIES LLC
2904 EVANGELINE ST.
MONROE, LA 71201-3724
PH. (318) 340-0750
FAX (318) 340-0580

DATE 12/12/2002 INVOICE # 1967

BILL TO

Caldwell Parish School Board
Attention: Cindy Mohler
P.O. Box 1019
Columbia, LA 71418

| P.O. NO. | TERMS | PROJECT |
|----------|----------------|---------|
| 11102 | Due on receipt | |

| QUANTITY | DESCRIPTION | RATE | AMOUNT |
|----------|---|-------|-----------|
| 1 | Caldwell - ISP Service Charges Internet: Jan - June 2003 | 92.40 | 92.40 |
| | Revised Year 5 ISP Charges (Same as Year 4) | | |
| | Less: Year 4 adjustments | | 25,500.00 |
| | Original 6 @ \$915/mo | | |
| | Reduce to 1 @ \$915/mo | | |
| | and 5 @ \$490/mo | | |
| | Less: Year 5 invoices | | 30,780.00 |
| | Balance | | 420.00 |
| | District share 22% | | 92.40 |

Mary Stephens
12/12/02

Total \$92.40

Mary Taylor, President

Caldwell Parish School Board

Martha T. Simons, Superintendent

C. R. Martin
Marilyn Warren
John McIlwain
Bob Frazier
Drew Keahey

Ward 1
Ward 2
Ward 3
Ward 4
Ward 5

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Ward 6
Ward 7
Ward 8
Ward 9
Ward 10

Management Response:

2. The Caldwell Parish School System for years 2000- on has detailed logs of service hours provided. The system also has implemented a specific procedure for requesting support services and/or on-site technical support for each site. The technology coordinator for Caldwell Parish for 1999-2000 is no longer an employee of the system and he indicated he had no written record for that year but required the service technician check in personally with him each time he came into our parish.

The Caldwell Parish System now has in place a system for reporting and tracking technical services provided by agencies outside the parish. The following procedures are in place for reporting needs for technical assistance and support involving technology:

1. Each school has a designated technology contact who has been trained to provide minor technical support. When there is a problem at a school, this person is the initial contact.
2. After examining the problem and being unable to provide the necessary assistance, the school contact reports to one of two parish technicians who are each working on a half-day basis as technology technicians within the parish.
3. The technology technician notifies the parish technology coordinator when additional assistance is required.
4. The technology coordinator notifies the ISP or contacts any outside vendor, technician, or support person as needed.
5. Outside service providers must report to the Central Office to obtain a worksheet which authorizes work to be done.
6. The principal or supervisor must sign the worksheet indicating that services have been provided.
7. Outside service provider must return signed worksheet to the Parish Technology Coordinator before leaving the parish.

Technology Repair List

School _____ Date _____

| Teacher | Room # | Computer Repair | Internet/E-Mail Problems |
|---------|--------|-----------------|--------------------------|
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NOTE: All computer repair and technology (network) problems **MUST** be reported on this form to the designated technology contact at your school before ANY work can be done. If after examining the problem the schools technology contact cannot provide the necessary assistance, she/he will then contact a parish technician to examine the problem.

If outside technical assistance is required the principal **MUST** sign the worksheet before payment can be made for their work. Outside technical repair and/or installation of equipment or software must be approved by the Parish Technology Coordinator in the Central Office.

Only work listed on worksheet will be done. Do not ask the repairman or technology person to work on any other computer or network problem. **They will not be paid for it since it was not authorized by this office!!!!**

Repair man must report to the Central Office to obtain authorized work sheet before reporting to a school. After work is completed the repair man must turn signed worksheet back into Central Office before leaving the Parish.

Caldwell Parish Computer Repair/Internet Assistance - Worksheet

School/Location: _____ **Principal/Supervisor Signature:** _____

| Teacher | Room# | Computer Repair Problem | Internet/E-Mail Problem | Description of Work Completed | Date Work | | Signature of Company Representative |
|---------|-------|-------------------------|-------------------------|-------------------------------|-----------|------|-------------------------------------|
| | | | | | Reported | Done | |
| | | | | | | | |
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NOTE: The form must be signed by the Principal/Supervisor before being turned into the Central Office. Only Authorized repair/technology work will be done.

For Central Office Use Only:

Date Problem Reported to Company: _____ **Name of Company:** _____

Date Repair/Technical Problem Fixed: _____ **Repairman:** _____

Catahoula Parish School Board

RECEIVED
LEGISLATIVE AUDITOR
Superintendent
Ronald R. Lofton
02 DEC 24 AM 9:57

Post Office Box 290
Harrisonburg, Louisiana 71340
Telephone: 318-744-5727
Fax: 318-744-9221

BOARD MEMBERS
Wayne Sanders, President
Clarence Martin, Vice-President
Lillian Aplin
Joe Ann Edwards
Charles "Bo" House
W.E. "Sonny" Manning
Dave Mays
Dewey W. Stockman
Dorothy Watson

December 20, 2002

Dr. Daniel G. Kyle, CPA, CFE
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Initial management response to investigative audit report.

Dear Dr. Kyle:

Catahoula Parish School Board received by fax a draft of your investigative audit report on December 18, 2002 at 12:31 p.m. Due to the approaching holidays, our office closing from December 23, 2002 to January 6, 2003, and our inability to obtain an extension, our response is limited. We reserve the right to submit additional information as it becomes available.

The report notes that the billing rate with SEND increased between the second and third year, and incorrectly states that Catahoula Parish had paid for enhanced services that it had not received. The report also states that Catahoula Parish could not provide the auditors with a contract describing the services to be rendered. The report assumes without factual basis that the increased fee represents the creation of a different configuration other than using Catahoula Parish's central office as the routing hub. The report is also flawed in that SEND has consistently provided enhanced and improved services to Catahoula Parish.

The report stating that the networking infrastructure has not changed since 1998 is not accurate. The 1998 configuration provided low-speed 56KB services from schools. The initial service cost was therefore based on a minimum service level requirement. In 1999, the District upgraded to high-speed TI services, arranging services in an aggregated star configuration with schools connecting through the School Board Office. SEND did not increase pricing in 1999, although service requirements increased significantly. SEND provided a higher cost quotation in 2000 based on the aggregated TI configuration in place since 1999. Catahoula Parish did contact CenturyTel to obtain an ISP cost but CenturyTel's cost was about the same and it was our opinion that their support/services and internet connectivity stability were not as good as SEND. Also, in contacting other school systems in the state and LaNet's support/services and internet connectivity stability, we felt that LaNet was not a viable choice.

The proposal for 2001/02 allowed for each school site to bypass the Central Office to receive faster Internet services. We were told that our cost would be the same whether all schools connected to SEND or to the Central Office. Our District chose for our schools to connect to the Central Office.

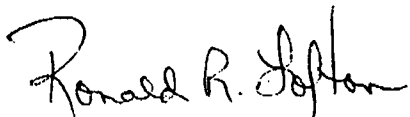
We decided the ability to control multipoint IP video from our central location to be more beneficial to our instructional program than the increased bandwidth for Internet services at each school site. Consequently, there was no expectation on our part that the decision to forego the reconfiguration would result in any savings to Catahoula Parish.

Catahoula Parish received enhanced services in Year 4 with upgraded DS3 service from SEND to the national backbone; significantly enhanced security, mail and routing services required for industry and government standards; and additional customer services personnel provided by SEND to support school Internet service. SEND's billing to the District for July, 2001 to June, 2002 was appropriate and pursuant to contract.

We hope this response will provide you with sufficient information to demonstrate that some of the draft findings are unfounded. E-rate is a very beneficial program for our school district and we are trying our best to comply with all rules and regulations pertaining to the program.

Should you need any further information from us, please contact me. As noted above, our office closes at 4:30 p.m. on December 20, 2002 and will not reopen until 8:00 a.m. on January 6, 2003.

Sincerely,

A handwritten signature in cursive script that reads "Ronald R. Lofton".

Ronald R. Lofton
Superintendent

RECEIVED
LEGISLATIVE AUDITOR
December 18, 2002
02 DEC 20 AM 10:21

Claiborne Parish Schools

P.O. Box 600 (415 E. Main Street)
Homer, Louisiana 71040

Phone: 318 927-3502 FAX 318 927-9184

A+

Daniel G. Kyle
Office of the Legislative Auditor
State of Louisiana
Baton Rouge, LA 70804-9397

RE: *Investigative Report of Claiborne Parish School Board, Request for Response*

Dear Dr. Kyle:

We received your FAXed letter of December 18, 2002 containing a preliminary draft and a request for response from us. This was the result of your investigation into the Universal Service Fund (i.e., E-Rate) program and our contractual relationship with SEND Corporation to provide services under this program.

The following is our response to each of the two findings contained in that preliminary report:

Finding 1: "SEND Billed School District Annual Internet Service Provider (ISP) Charges Ranging from \$54,432 to \$92,070 For Enhanced Services That Were Not Provided."

Response: *We respectfully submit that the finding is based on an erroneous interpretation of our contractual arrangement with SEND during the period in question. Our contract, and the billing in question, was not for "enhanced services." The charges were for the basic services and would have been the same whether the routing was through the central office (system in effect previous to this contract) or directly from the sites to SEND. Our discussions with SEND were that the only additional charges would have been for the relocation of the T1 lines. Those charges would have been billed to Bellsouth, not SEND. The decision not to reconfigure was made by the district because we decided to implement IP video and needed to be able to control multipoint conferences from the central office. SEND was not involved in this decision and it made no difference in the costs quoted to the district, so we changed our mind about the reconfiguration. At that time we notified the SLD of our decision and cancelled the Funding Request Number associated with the reconfiguration.*

All of our discussions with SEND concerning the configuration issue were to the effect there would be no additional charge for direct connection from the sites to their router. Our original thoughts were the reconfiguration would result in additional bandwidth for each site.

We decided the ability to control multipoint IP video from our central location to be more beneficial to our instructional program than the increased bandwidth. Consequently, there was no expectation on our part that the decision to forego the reconfiguration would result in any savings to the district.

Evidence: *Nothing in the services contract specifically mentions a reconfiguration of the district or enhanced services for the district. The only reference to this issue is a single sentence (paragraph 1, page 3) or the RFP Response from SEND where they say "... per school site for Digital T1 mapped directly to a port on the SEND router." Since it had already been established there was no additional charge for this service, we feel the interpretation that SEND billed for enhanced services not provided is, in our case, not supported.*

Finding 2: "School District Failed to Maintain Adequate Documentation of On-site Internet Network Support Services performed by SEND."

Response: *Our contract with SEND called for them to maintain and support our network at all district sites. These sites are very remote from each other and from the school board central office. SEND provided remote monitoring of the sites, maintenance of the CAT 5 wiring and support for a variety of other services to include operating system, software, servers, routers, and desktop computers. The district staff consists of one person, a technology coordinator, who has responsibility for this as well as several other unrelated programs in the district. It was impractical for us to know every time SEND was in the district or to have them log in and out with us with each visit. Our assessment of whether or not we were receiving the services was based largely on whether or not the services stayed up and running as well as our frequent and regular conversations with SEND as to the progress and status of needed repairs. The requirement for SEND to have come to the central office to log in and out for each visit would have added additional costs to the district for the mileage associated with such a requirement.*

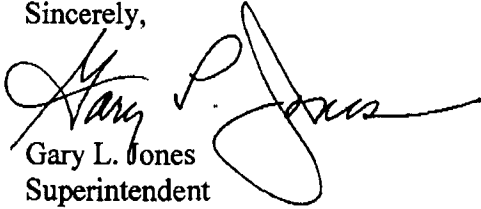
We offer, as an analogy, that auditors who provide services for us routinely estimate the number of hours to provide their services and we pay based on the bill we receive without sitting down and going over their bill in depth to question the activities associated with producing the audit. We suspect that this is not an unusual circumstance among districts audited.

However, now that the need to provide more complete documentation has been pointed out, the district will design and implement procedures designed to provide this documentation in the future.

We hope the responses provide you with some additional insight into what has been a very beneficial program for school districts across the state and nation. We assure you that, as public servants, we take our responsibility to be good stewards of public funds very seriously. I am confident that if any errors or shortcomings emerge as a result of this investigation they do not rise to the level of malfeasance in office on the part of members of the Claiborne Parish School Board staff. I also assure you we will take appropriate actions to respond to any shortcomings surfaced in a timely and effective manner.

Should further actions be required of us, please advise. Also, please be aware that we will be out of the office until January 6, 2003 for our school holidays.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary L. Jones". The signature is written in dark ink and is positioned to the right of the printed name and title.

Gary L. Jones
Superintendent

CONCORDIA PARISH SCHOOL BOARD

P. O. Box 950

Vidalia, Louisiana 71373-0950

RECEIVED
LEGISLATIVE AUDITOR

2002 DEC 23 AM 11:36

Phone (318) 336-4226

FAX (318) 336-5875

Dr. Lester Peterman
Superintendent

December 20, 2002

Dr. Daniel G. Kyle
Office of the Legislative Auditor
State of Louisiana
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Concordia Parish School Board received a fax on December 18, 2002, of a draft of an investigative report on this district in regards to the Universal Service Fund (i.e., E-Rate) program and the system's contractual relationship with SEND Technologies L.L.C. (SEND) to provide services under this program.

The following are our responses to the findings contained in the investigative report:

The district could not provide us with a contract describing services for E-Rate funding year 3.

All records pertaining to E-Rate funding since its beginning were turned over to your auditors when they conducted their site visit for their review and to copy as needed. An examination of the folders conducted after receiving the investigative report yielded a copy of a purchase order (which serves as a contractual agreement for e-rate) dated January 10, 2000, which describes services which SEND would provide for the Concordia Parish School Board. Also located was a copy of the contracts between SEND Technologies and the Concordia Parish School Board for internet access and internal connections. Copies of the purchase order and the contracts have been provided.

Finding: SEND Technologies, L.L.C. (SEND) billed the Concordia Parish School District (school district) annual Internet Service Provider charges ranging from \$55,800 to \$81,360 for enhanced services that were not provided.

It was our understanding with SEND that the decision to direct connect schools or stay with a Star configuration was our decision to make. The contract with SEND was not for direct connection but for basic IP services. These charges would have been the same whether the routing was through the central office or directly from the sites to SEND. The decision to maintain the direct connection through the central office was made by us so that we could control video over IP and facilitate distance learning classes from school to school. The decision was ours alone and was based on what was best for our students and parish.

Our acceptance of the ISP increase from SEND was based on their providing the following support services improvements:

- an increase in local band width services provided in year three E-Rate with no increase in charges
- an upgrade to DS3 service from SEND to internet backbone for year 4
- provision of firewall service, unlimited e-mail with internet filtering for year 4
- services of professional personnel from SEND for internet trouble-shooting from their office and at school levels as needed for year 4

It is hoped that these responses will assist you in your efforts to investigate this matter. I want to assure you that every effort is made to utilize all the public funds with which we are involved with the utmost care while maintaining the integrity of the programs and their guidelines.

Please contact me if you need any additional information or clarifications.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lester Peterman".

Dr. Lester Peterman
Superintendent

Year 3

PURCHASE REQUISITION WORK ORDER FORM

Date January 10, 2000

services on or at, the Concordia Parish School Board Vidalia, Louisiana,
and send, not later than the end of the month, the bill to Concordia Parish School Board, Vidalia, Louisiana. Your invoice must list our order number.

School Board Policy: The Office of the Superintendent is vested with the sole authority to order materials and contract for services. The Board will assume no obligation except on a duly Authorized Purchase Order.

Approved By _____ Supervisor

Approved for charging and billing to
Concordia Parish School Board:

Superintendent - Secretary

Director of Business Affairs

Vidalia, Louisiana 71373

| Budget Item | Actual | Variance |
|---------------------------|--------|----------|
| Salaries | | |
| Administrative | | |
| Director's Office | | |
| Departmental | | |
| Professional Staff | | |
| Technical Staff | | |
| Support Staff | | |
| Student Services | | |
| Faculty | | |
| Instructors | | |
| Adjuncts | | |
| Retirees | | |
| Union Dues | | |
| Health Insurance | | |
| Life Insurance | | |
| Pension Plan | | |
| Unemployment Insurance | | |
| Workers' Compensation | | |
| Social Security | | |
| Disability Insurance | | |
| Term Life Insurance | | |
| Group Term Life Insurance | | |
| Other Insurance | | |
| Travel Allowance | | |
| Housing Allowance | | |
| Research Allowance | | |
| Fringe Benefits | | |
| Medical Insurance | | |
| Dental Insurance | | |
| Vision Insurance | | |
| Life Insurance | | |
| Pension Plan | | |
| Unemployment Insurance | | |
| Workers' Compensation | | |
| Social Security | | |
| Disability Insurance | | |
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| Housing Allowance | | |
| Research Allowance | | |
| Fringe Benefits | | |
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| Vision Insurance | | |
| Life Insurance | | |
| Pension Plan | | |
| Unemployment Insurance | | |
| Workers' Compensation | | |
| Social Security | | |
| Disability Insurance | | |
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| Vision Insurance | | |
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| Pension Plan | | |
| Unemployment Insurance | | |
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| Pension Plan | | |
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| Pension Plan | | |
| Unemployment Insurance | | |
| Workers' Compensation | | |
| Social Security | | |
| Disability Insurance | | |
| Term Life Insurance | | |
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| Other Insurance | | |
| Travel Allowance | | |
| Housing Allowance | | |
| Research Allowance | | |
| Fringe Benefits | | |
| Medical Insurance | | |
| Dental Insurance | | |
| Vision Insurance | | |
| Life Insurance | | |
| Pension Plan | | |
| Unemployment Insurance | | |
| Workers' Compensation | | |

ORIGINAL

Year 3

Concordia Parish School Board
Agency Name
508 John Dale Drive
Address
Vidalia, LA 71373
City State Zip Code
(318) 336-4226
Phone


| | |
|--|---|
| <u>Internet Access</u> <i>Service Order</i> | <u>SEND Technologies, L.L.C.</u> <i>Service Provider</i> |
| Spin # <u>143010002</u> | Entity # <u>139342</u> |
| Attachment # <u>2-IA</u> | FRN # _____ |
| Order # <u>031520C</u> | Phone # <u>(318)340-0750</u> |

This service order confirms the purchase of service from SEND Technologies, L.L.C. by the Concordia Parish School Board to provide the following:

Service per attachment number 2-IA for a total of \$55,800

Service Start Date: July 1, 2000 (upon confirmation of service start date by ST.C)
Service Anniversary Date: July 1, 2001
Renewal of Service: Service term may be renewed by the customer for two consecutive one year terms with renewal term to begin July 1, 2001 and July 1, 2002.

Note: This professional services agreement is contingent upon the customer receiving approval of Universal Service (E-Rate) application and subject to Board funding under non-appropriation guidelines. Service renewals are also contingent upon E-Rate funding approval and subject to budgeting approval by the customer.

| | |
|---|-----------------------|
| Authorized Signature <u></u> | Date <u>1/10/00</u> |
| Service Provider <u>Mark Blum</u> | Date <u>1/10/2000</u> |

Attachment 2-1A
Form Identifier 16000
Entity Number 139342
Vendor

SEND Technologies

Concordia Parish School District
Calculation Worksheet
Internet Budget Costs

| Parish | # Schools | Discount % | Total COST | School COST | E-Rate COST |
|------------------|-----------|------------|---------------|----------------|----------------|
| Concordia Parish | 11 | 83% | \$55,800 | \$9,486 | \$46,314 |

Dedicated T1 Internet service for all schools;

* Internet service email support for all schools; support for school Internet installation, setup and provision for all eligible services required for Internet access.

Concordia Parish School Board

Agency Name

508 John Dale Drive

Address

Vidalia, LA 71373

City State Zip Code

(318) 336-4226

Phone

Internal Connections

Service Order

SEND Technologies, L.L.C.

Service Provider

Spin # 143010002

Entity # 139342

Attachment # 3-IC

FRN #

Order # 031520C

Phone # (318)340-0750

This service order confirms the purchase of service from SEND Technologies, L.L.C. by the Concordia Parish School Board to provide the following:

Service per attachment number 3-IC for a total of \$32,485

Service Start Date: July 1, 2000 (upon confirmation of service start date by S.I.C)

Service Anniversary Date: July 1, 2001

Renewal of Service: Service term may be renewed by the customer for two consecutive one year terms with renewal term to begin July 1, 2001 and July 1, 2002.

Note: This professional services agreement is contingent upon the customer receiving approval of Universal Service (E-Rate) application and subject to Board funding under non-appropriation guidelines. Service renewals are also contingent upon E-Rate funding approval and subject to budgeting approval by the customer.

Authorized Signature

[Signature]

Date 1/10/2000

Service Provider

Mark Starnes

Date 1/10/2000

Attachment 3-IC
Form Identifier 15000-IC
Entity Number 139342

Concordia Parish
Calculation Worksheet
Internal Connections

| Discount Percentage | | 83% | | | | | | | | | |
|---------------------|---|-----|-----------|-----------|--------|-----------|-------------|-------|------------|-------------|--|
| FRN Number | Description | QTY | One Time | Recurring | Month | Recurring | Total | ERATE | School | ERATE | |
| | | Ord | (Install) | Costs | Factor | Costs | Cost | Disc | Cost | Cost | |
| | | | Costs | | | | | % | | | |
| | | | | 2000 | | | 2000 | | 2000 | 2000 | |
| 390349 | Nortel ASN Maintenance | 2 | \$405 | \$0 | 12 | \$0 | \$810 | 83% | \$138 | \$872 | |
| | Nortel ARN Maintenance | 9 | \$155 | \$0 | 12 | \$0 | \$1,395 | 83% | \$237 | \$1,158 | |
| | APC 650 UPS | 22 | \$240 | \$0 | 12 | \$0 | \$5,280 | 83% | \$898 | \$4,382 | |
| | Router and Network | 1 | \$25,000 | \$0 | 12 | \$0 | \$25,000 | 83% | \$4,250 | \$20,750 | |
| | Installation & Maintenance | | | | | | | | | | |
| SEND Technologies | FRN TOTAL | | | | | | \$32,485.00 | | \$5,522.45 | \$26,962.55 | |
| 390376 | Network Server Installation and support (see vendor attachment) | 1 | \$20,000 | \$0 | 12 | \$0 | \$20,000 | 83% | \$3,400 | \$16,600 | |
| NIPav Computers | FRN TOTAL | | | | | | \$20,000.00 | | \$3,400.00 | \$16,600.00 | |
| 390390 | CAT 5 Drop Installations (12 schools/20@\$50) | 12 | \$1,000 | \$0 | 12 | \$0 | \$12,000 | 83% | \$2,040 | \$9,960 | |
| Garrett Telephone | FRN TOTAL | | | | | | \$12,000.00 | | \$2,040.00 | \$9,960.00 | |



FRANKLIN PARISH SCHOOL BOARD

7293 PRAIRIE ROAD, WINNSBORO, LOUISIANA 71295 (318)435-9046

An equal opportunity employer

J. W. MERCER, JR.
PRESIDENT
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VICE-PRESIDENT
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CHAPLAIN
District 3

JAN BLAND
District 4

BOBBIE JOHNSTON
District 2

LOUISE JOHNSON
District 5

DOROTHY BROWN
District 7

Leo Thornhill, Jr.
Superintendent

December 20, 2002

Via facsimile and
U.S. Mail

Mr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
1800 North Third Street
Baton Rouge, LA 70804-9397

RECEIVED
LEGISLATIVE AUDITOR
02 DEC 23 AM 10:55

Re: Management Response to
Investigative Report

Dear Mr. Kyle:

Per your request, we are providing you with the present written response to the draft of the investigative audit report regarding services performed by SEND Technologies, L.L.C. which you recently provided our office. Please allow us to respond to each of the proposed findings:

Finding: SEND was paid \$10,500 for Internet services not provided.

Please see the attached letter and credit memorandum discussed during our exit interview. When the school board first became aware of a potential overcharge, it contacted SEND. The school board was reimbursed for overcharges per the attached.

Finding: SEND billed school district annual Internet service provider (ISP) charges ranging from \$80,796 to \$112,200 for enhanced services that were not provided.

Copies of the funding year three (2000-01) documents are attached.

Our appreciation of the agreement was that the cost for the same services had increased. Subsequently, we were contacted by a representative of SEND regarding direct access to each school

site. However, we were pleased with the set up that was in place, and asked that it remain the same. Everything was functioning as we wished. While direct access was initially proposed, we opted to keep the service the same. We did not expect that our decision to maintain service through the central office would have effected the amount paid SEND.

In the future, E-Rate billings to ensure that payments are made for services received. Counsel will also review all E-Rate contracts.

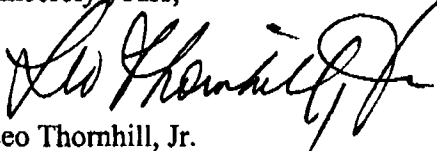
Finding: School District failed to maintain adequate documentation of "On-site Internet Network Support Services" performed by SEND.

During the period in question, SEND maintained the school district's internet access, including the service received at each of our schools throughout the parish. Technicians were dispatched when needed and other services were provided remotely from SEND's office. As we are an extremely small parish, our technology department is very limited. The person overseeing technology does so on a limited basis only as she is also assigned other duties. Quite candidly, we felt that having the service up and running through SEND allowed us to avoid hiring additional staff. As long as internet service is functioning properly and there are no complaints, we had no reason to question the contract documents. In short, the service we have received has been good, and we have not experienced the access problems that other school systems have encountered.

Nonetheless, per your suggestion, we are implementing procedures that will insure that all contractual obligations of service providers are met. Such procedures will require documentation of the precise service provided, the date of service, and the amount of time required for the service. Also, we have retained general counsel who will review future contracts.

I hope that the above response is helpful and that the procedures being implemented will address your concerns. Should you have any additional suggestions, we will be happy to receive them. We work hard to insure that the money entrusted to us is spent wisely, and we assure you that any deficiencies are not the result of wrongdoing on the part of the Franklin Parish School Board or its staff.

Sincerely yours,



Leo Thornhill, Jr.

LTIJ/ta

cc: Franklin Parish School Board

Franklin Parish School Board

Agency Name

7293 Prairie Road

Address

Winnsboro, LA 71040

City State Zip Code

(318) 435-9046

Phone

Internal Connections

Service Order

SEND Technologies, L.L.C.

Service Provider

Spin # 143010002

Entity # 139329

Attachment # 3-IC

FRN #

Order # 26367

Phone # (318)340-0750

This service order confirms the purchase of service from SEND Technologies, L.L.C. by the Franklin Parish School Board to provide the following:

Service per attachment number 3-IC for a total of \$83,810

Service Start Date: July 1, 2000 (upon confirmation of service start date by SLC)

Service Anniversary Date: July 1, 2001

Renewal of Service: Service term may be renewed by the customer for two consecutive one year terms with renewal term to begin July 1, 2001 and July 1, 2002.

Note: This professional services agreement is contingent upon the customer receiving approval of Universal Service (E-Rate) application and subject to Board funding under non-appropriation guidelines. Service renewals are also contingent upon E-Rate funding approval and subject to budgeting approval by the customer.

Authorized Signature

Bobby Blount

Date

1-7-00

Service Provider

Mark Stevenson

Date

1-7-00

Attachment 3-IC
Form Identifier 21000-IC
Entity Number 139329

Franklin Parish
Calculation Worksheet
Internal Connections

Discount Percentage 88%

| FRN Number | Description | QTY | One Time (Install) | Recurring Costs | Month Factor | Recurring Costs | Total Cost | ERATE Disc | School Cost | ERATE Cost |
|-------------------|--|-----|-----------------------|--------------------|-----------------|--------------------|---------------|---------------|----------------|---------------|
| | | Ord | | | | | | % | | |
| | | | Costs | 2000 | | 2000 | | | 2000 | 2000 |
| 312900 | CAT 5 Drop Installations (materials & labor) | 200 | \$75 | \$0 | 12 | \$0 | \$15,000 | 88% | \$1,800 | \$13,200 |
| | Nortel Mini-Switch 12 port | 22 | \$650 | \$0 | 12 | \$0 | \$14,300 | 88% | \$1,716 | \$12,584 |
| | Nortel Mod 350 24 Pt Switch | 12 | \$1,790 | \$0 | 12 | \$0 | \$21,480 | 88% | \$2,578 | \$18,902 |
| | External Cable, CAT 5 (materials & labor) | 4 | \$400 | \$0 | 12 | \$0 | \$1,600 | 88% | \$192 | \$1,408 |
| | Nortel ASN Maintenance | 1 | \$405 | \$0 | 12 | \$0 | \$405 | 88% | \$49 | \$356 |
| | Nortel ARN Maintenance | 11 | \$155 | \$0 | 12 | \$0 | \$1,705 | 88% | \$205 | \$1,500 |
| | APC 650 UPS | 18 | \$240 | \$0 | 12 | \$0 | \$4,320 | 88% | \$518 | \$3,802 |
| | Router and Network Installation & Maintenance | 1 | \$25,000 | \$0 | 12 | \$0 | \$25,000 | 88% | \$3,000 | \$22,000 |
| SEND Technologies | FRN TOTAL | | | | | | \$83,810.00 | | \$10,057.20 | \$73,752.80 |

Quotation accepted by: Bobby Blount
Title: Superintendent
Date: 1-7-00

Contingent upon FY 2000 Erate Funding.
Subject to Board funding for FY 2000 under non-appropriation guidelines

Franklin Parish School Board
Agency Name

7293 Prairie Road
Address

Winnsboro, LA 71040
City State Zip Code

(318) 435-9046
Phone

Internet Access SEND Technologies, L.L.C.
Service Order Service Provider

Spin # 143010002 Entity # 139329

Attachment # 2-IA FRN #

Order # 26366 Phone # (318)340-0750

This service order confirms the purchase of service from SEND Technologies, L.L.C. by the Franklin Parish School Board to provide the following:

Service per attachment number 2-IA for a total of \$80,996

Service Start Date: July 1, 2000 (upon confirmation of service start date by SLC)

Service Anniversary Date: July 1, 2001

Renewal of Service: Service term may be renewed by the customer for two consecutive one year terms with renewal term to begin July 1, 2001 and July 1, 2002.

Note: This professional services agreement is contingent upon the customer receiving approval of Universal Service (E-Rate) application and subject to Board funding under non-appropriation guidelines. Service renewals are also contingent upon E-Rate funding approval and subject to budgeting approval by the customer.

Authorized Signature Bobby Stewart Date 1-7-00

Service Provider Mark Stinson Date 1-7-00

Attachment 2-1A
Form Identifier 21000
Entity Number 139329

Franklin Parish School District
Calculation Worksheet
Internet Budget Costs

FRN 312818
Vendor SEND Technologies

Parish

Schools

Discount %

Franklin Parish

11

88%

Total
Cost
\$80,996

School
Cost
\$9,696

E-Rate
Cost
\$71,104

Dedicated T1 Internet service for all schools;

* Internet service email support for all schools; support for school Internet installation, setup and provision for all eligible services required for Internet access.

Quotation accepted by:

Bridget Blount
Title: Superintendent

Date: 1-7-00

Contingent upon FY 2000 Erate Funding.

Subject to Board funding for FY 2000 under non-appropriation guidelines

SEND

TECHNOLOGIES, L.L.C.

2904 Evangeline Street • Monroe, Louisiana 71201
Phone: 318.340.0750 • Fax: 318.340.0580
Web Address: <http://www.sendtech.net>

August 12, 2002

Mr. Wayne Smith
Business Manager
Franklin Parish School Board
7293 Prairie Road
Winnsboro LA 71295

Dear Mr. Smith:

SEND Technologies LLC has been pleased to provide Internet and related services to Franklin Parish for the past four years. We appreciate your business and hope that we will continue to meet your expectations for service in the future.

We are also pleased we have been able to institute business practices and controls to assist the district and SEND with oversight of overall services. One of the practices has been an internal review of current and prior years. The review examined the Internet services and internal connection services to verify services and charges.

In examining the 1998 year, we determined the district was overcharged for Internet services. The services order quoted a base rate of \$1,350 per month plus \$100 per school for twelve months. Upon review, it appears the district should have been charged the base rate for the year since only one school was online until the Spring of 1999. We apologize for the error. The error occurred because the file notation showing the conversion in July 1998 was assumed to mean all schools. We have calculated the attached credit memo to adjust your billing. We will apply the credit memo to your current billing. Appropriate credit will be applied to the next invoice submitted to USAC under the ERATE program to correct their billing.

Thank you again for the opportunity to continue serving the district.

Sincerely,


Mark Stevenson

President
SEND Technologies LLC

Credit Memo

DATE _____ CREDIT NO. _____
800/0000-_____ EXT. _____

CUSTOMER
Product Ford Focus
Price \$12,000
Quantity 100
Revenue \$1,200,000
Cost \$800,000
Profit \$400,000

PROJECT

AMOUNT

Total 1000000

RECEIVED
LEGISLATIVE AUDITOR

**JACKSON PARISH
SCHOOL BOARD**

Archie J. Chandler, Superintendent
Rudolph Tarver, President

02 DEC 23 AM 10:55

P. O. Box 705
Jonesboro, LA 71251-0705
Telephone (318) 259-4456
Fax (318) 259-2527

December 20, 2002

Dan Kyle
Legislative Auditor
1600 North Third Street
PO Box 94397
Baton Rouge LA 70804 9397

Dear Mr. Kyle:

Jackson Parish School Board's technology coordinator, business manager and a member of the finance committee will continue to review all E-rate contracts and billings to ensure that payments are made only for those services that are provided.

Thank you for your cooperation.

Sincerely,



Archie Chandler
Superintendent

Lincoln Parish School Board

410 South Farmerville
Ruston, Louisiana 71270-4699
(318) 255-1430

Robert E. Shadoin
President

Gerald W. Cobb, E.D.
Superintendent

December 19, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

CERTIFIED MAIL #7002 0460 0001 9206 0226

Dear Dr. Kyle:

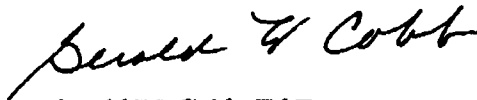
I am writing to you in response to the recommendations made by your office concerning the findings stated in your investigative audit report about payments the Lincoln Parish School Board (Board) made for services that were not provided by SEND Technologies, L.L.C. (SEND).

During the course of your investigation it was revealed that the Board made payments for services that were not provided by SEND. Upon this discovery, we promptly requested SEND to adjust our future billings and to issue a refund to us for the previous overpayments made by the Board. SEND responded, in full agreement, by issuing to us a credit memo dated July 22, 2002 and a balance refund payment shortly thereafter.

I am in agreement with your recommendations for which we have already begun implementing by providing a more detailed verification of billings before payment for services rendered through E-rate contracts and involving more administrative personnel in the review and payment approval process. This process will include verifying that billings for services are in accordance with stated contract terms which are, in fact, for actual services being provided to the school district.

I greatly appreciate the professionalism exhibited by your staff in carrying out their investigation, and I am confident that the result of this investigation will be better management of all service contracts throughout our district. If your office should require any additional information regarding the response provided above, please advise.

Sincerely,



Gerald W. Cobb, Ed.D.
Superintendent

RECEIVED
LEGISLATIVE AUDITOR
02 DEC 23 AM 11:11



Madison Parish School Board

Post Office Box 1620
Tallulah, Louisiana 71284-1620
(318) 574-3616

Board President:
Rhondie L. Morris
Superintendent:
Samuel Dixon

December 22, 2002

Dr. Daniel Kyle, Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

RECEIVED
LEGISLATIVE AUDITOR
02 DEC 27 AM 10:33

RE: Investigate Audit Response (SEND Technologies)

Dear Dr. Kyle:

The following is Management's response as you requested regarding the above-captioned investigative audit.

Finding: From July 1998 to June 2002, SEND Technologies, L.L.C. (SEND) as paid a total of \$189,873 to provide Internet access to the Madison Parish School District (school district) under the E-Rate Program. Of this amount, it appears that SEND was paid \$12, 429 in Internet access charges for school sites that did not receive Internet access.

Management's

Response The introduction of E-Rate funding for Internet access was introduced in a very short period of time and was a large, complex program. There was an overwhelming and often confusing burden of paperwork associated. Discussion with SEND did result in SEND's issuing a credit to the district.

The district's finance committee will closely monitor E-Rate contracts for appropriateness of services and review billing to insure that payments are made for services performed as listed in the contract.

Finding: SEND billed school district annual Internet Service Provider (ISP) charges ranging from \$51,480 to \$82,680 for enhanced services that were not provided.

Dr. Daniel Kyle
December 22, 2002
Page 2

Management's

Response Five of the seven school sites were provided with direct connections to SEND and SEND was provided monitoring services of routers and servers. Two sites were not provided with this direct connection, but were receiving enhanced services. The District's appreciation of enhanced services encompasses more than a direct connection to SEND.

The district's finance committee will closely monitor E-Rate contracts for appropriateness of services and review billing to insure that payments are made for services performed as listed in the contract.

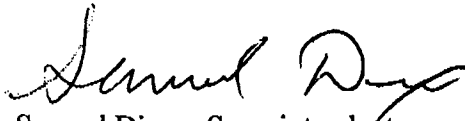
Finding: School District Failed to Maintain Adequate Documentation of On-Site Internet Network Support Services Performed by SEND

Management's

Response: Management will require that immediately on-site services performed by SEND be documented.

If I can be of further assistance, please let me know.

Respectfully submitted,



Samuel Dixon, Superintendent
Madison Parish Schools

ck

Enclosure

SEND TECHNOLOGIES LLC

2904 EVANGELINE ST.
MONROE, LA 71201-3724
PH. (318) 340-0750
FAX (318) 340-0580

Credit Memo

DATE

CREDIT NO.

8/19/2002

1817

CUSTOMER

Madison Parish School Board
Carl Kowitz/Ann Semien
PO Box 1620
Tallulah LA 71282-1620

P.O. NO.

PROJECT

DESCRIPTION

QTY

RATE

AMOUNT

Madison - ISP Service Charge:

-12

154.00

-1,848.00

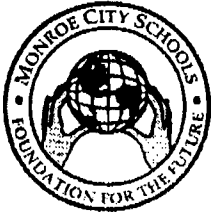
Internet - July-June 1998-99

Original invoices billed for ten (10) schools at \$100 per school
should have been only three (3) schools. Credit given \$700.00 per
month at 22% with the SLD billed 78%.

001-320-1100.22 <8,400⁰⁰>
001-000-1993.00 6552.00

Total

\$-1,848.00



MONROE CITY SCHOOLS

• Building Today for the Twenty-first Century •

December 19, 2002

Mr. Curtis J. Armand
President

Mr. Jessie L. Handy
Vice-President

BOARD MEMBERS

Mrs. Vickie Dayton
District 1

Mr. Anthony "Tony" Cain
District 2

Mr. Mickey Traweck
District 3

Mr. Jessie L. Handy
District 4

Mr. Curtis J. Armand
District 5

Mrs. Stephanie S. Smith
District 6

Mrs. Brenda M. Shelling
District 7

GEORGE D. CANNON, Ed. D.
Superintendent

L. Douglas Lawrence
Board Attorney

Hon. Daniel G. Klye, Ph.D., CPA, CPE
Office of the Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Monroe City School Board (Management's Response)

Dear Dr. Kyle:

The purpose of this communication is to provide Management's response to the findings and recommendations of your office, relative to the investigation of SEND Technologies, L.L.C. ("SEND").

Management concurs with the findings of the Legislative Auditor, regarding the reported activities of Mark Stevenson and Albert Sit, and the history and status of their employment relationships with the Monroe City School District ("MCSD") and their apparent ownership and private business activities with SEND Technologies, L.L.C. ("SEND"). Management further concurs with the recommendation that the MCSD establish and implement controls to ensure that the MCSD's funds and assets are not used for personal purposes.

In its own examination and root-cause analysis of just how the activities of SEND, Stevenson and Sit occurred and were not detected, the MCSD finds that the highly technical nature of electronic data origination and transmission through use of onsite equipment and through the school district's BellSouth flexserver required a level of technical understanding and skill such that the school district operated at a conceptual disadvantage to SEND, Stevenson and Sit. Essentially, the MCSD finds that SEND, Stevenson and Sit took advantage of the conceptual advantage that they enjoyed, to their own benefit but to the detriment of the MCSD. Without persons of like technical understanding and skill to exercise oversight of Management Information Services, improper activities in the department regarding ISP services and use of the BellSouth flexserver could occur and forever evade the review of Management.

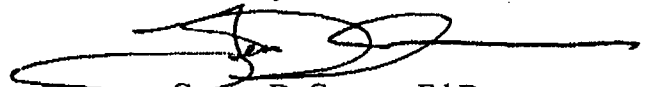
In further response, Management will:

P. O. Box 4180 • 2101 Roselawn Avenue • Monroe, Louisiana 71211-4180
(318) 325-0601 • Fax (318) 323-2864

- 1) Employ an outside technical consultant, wholly independent of the MSCD and with whom the MCSD has had no prior financial or business relationship, for the purpose of conducting a comprehensive review of the MCSD's Management Information Services (MIS) Department, including in particular all technical systems, hardware, data lines and like systems involving e-communications and e-data transmissions, with the objective of identifying all instances and opportunities of and for misuse for the purpose of personal gain or private inurement, and providing solutions that ensure that the MCSD's funds and assets are not used for personal purposes. It is recommended that the technical consultant have no permanent employment relationship with the MCSD, but that independent technical consultants be "brought into the School District", from time to time to review and test the integrity of MIS operations.
- 2) Immediately implement a change of management personnel in the MIS Department in the positions of Director and Associate Director of Management Information Services.

I trust that this is the response that you needed. Do not hesitate to contact me if you have any questions or concerns.

Sincerely,



George D. Cannon, Ed.D.,
Superintendent



MOREHOUSE PARISH SCHOOL BOARD

"Obtaining Excellence in Education Through Quality Teaching"

714 South Washington Street
Post Office Box 872
Bastrop, LA 71220
(318) 281-5784
Fax (318) 283-3456

December 27, 2002

RICHARD HARTLEY
Superintendent

Mrs. Susie Cox, President
District 4
Mrs. Loe Dunn, Vice President
District 7
Terry Pullin
District 1
Mrs. Doris Jackson
District 2
George Estep, Jr.
District 3
Mrs. Sherry Barmore
District 5
Hamp Leanoir
District 6

CERTIFIED MAIL

Dr. Daniel G. Kyle
Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Morehouse Parish School Board

Dear Dr. Kyle:

On behalf of the Morehouse Parish School Board, I am in receipt of your draft of your investigative audit report on the Morehouse Parish School District.

Please accept this as the response thereto.

You initially stated in your findings that the school district could not provide to you a contract describing the services to be provided by SEND Technologies, L.L.C. for year 3. It is unclear to me as to which school board employees you made inquiry, but I have enclosed as Exhibit 1 the contract for the period July 1, 2001 through July 1, 2002.

As background for year 2, SEND provided only ISP signal and email services with no maintenance, installation or equipment.

For year 3, SEND provided the ISP signal and email service together with new equipment, maintenance and installation charges. Those additional items are shown on Exhibit 1 attached. If you have any questions about it, please contact me.

For ease of reference, I have also enclosed the year 4 contract with SEND. It is attached as Exhibit 2. As you can see from the contract, if you compare it with others you have received, the increase met market conditions. It is incorrect to assume that the increase in cost is attributable to reconfiguration of T-1 lines. Much of the increase in cost is a result of the needed replacement of equipment such as routers and switches that were non-functional and whose warranty had expired and had been obtained from a prior vendor. The completion of the change in T-1 lines was accomplished in the fall of 2002. Each school now has the configuration that allows each school site to by-pass the central office to receive faster internet service.

For the following school year a RFP was proposed and vendors notified.

The basic outline of that procedure is set forth on Exhibit 3. The request for proposals is set forth on Exhibit 4. There were only two proposals received, one from Bayou Internet and the other from SEND. They are attached respectively as Exhibit 5 and Exhibit 6. Your careful review will indicate that not only was the SEND proposal more comprehensive, but also at a substantially lower rate than the Bayou Internet, Inc. proposal. As a result the Morehouse

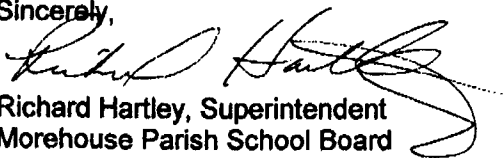
"An Equal Opportunity Employer"

Parish School Board voted to accept the proposal by SEND and the contract for it is shown as Exhibit 7 attached. The proposal submitted further confirmed to the Morehouse Parish School Board that SEND was providing the services at a more than satisfactory level at or below other market prices. Accordingly we do not believe that any of the laws set forth in your investigative audit report were violated and in fact find no factual basis upon which such a claim could be made. There are no facts set forth in your report that you furnished to me that relate to any of the statutes you referenced.

I will advise you that the current business manager of the Morehouse Parish School Board reviews all purchase orders and the business manager insures that services or products have been provided in accordance therewith before invoices are paid.

Should you desire any additional information from me or the Morehouse Parish School Board, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Hartley", with a large, stylized flourish extending from the end of the signature.

Richard Hartley, Superintendent
Morehouse Parish School Board

I:\MYRAKATZ\MP\SB\LTR\Hartley2002\Ltr.7.wpd

OFFICE OF
RICHLAND PARISH SCHOOL BOARD
JOHN R. SARTIN, SUPERINTENDENT
P. O. BOX 599
RAYVILLE, LOUISIANA 71269

RECEIVED
LEGISLATIVE AUDITOR
2002 DEC 30 AM 11:04

December 20, 2002

BOARD MEMBERS

ROBERT L. BOUGHTON
District 9
President

GINGER PIERCE
District 8
Vice President

WILLIAM BURGESS
District 7

ALBERT C. CHRISTMAN
District 1

JAMES E. HOUGH
District 4

JOHN DAVID KNIGHT
District 5

GLORIA LAWSON
District 3

DOYAL MCDADE
District 2

CLAUDE MINOR, SR.
District 6

Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Kyle:

RE: Draft Copy of Investigative Audit Report of Richland Parish School District

With reference to your draft report and the one finding:

Audit

Finding: SEND Billed School District Annual Internet Service Provider (ISP) Charges Ranging from \$80,796 to \$80,807 For Enhanced Services That were not Provided.

Answer: We do not agree with your finding. The Audit Finding contained in your report is constructed on the mistaken conjecture that a proposed T-1 line configuration of Richland Parish Schools to SEND Technologies would significantly impact Internet service Provider (ISP) costs to the Parish.

According to our Richland Parish School Board Computing Manager, Mr. George Gladney, who is our technical advisor, the network configuration for funding year 1999/2000 (FY9900) consisted of 56K lines with no 56K school lines connecting to the Central Office. Early in calendar year 2000, the initial T-1 installations were completed and we began receiving 'Enhanced' service (at no additional ISP costs for the remainder of FY9900). The next funding year, FY0001, had T-1 level ISP service included in the approved E-Rate funding amounts to match the service already being provided by SEND Technologies.

The proposed network configuration for FY0102 was discussed by SEND and Richland personnel based on a theory of facilitating better through-put for schools that were considering using video classes

presented by state universities, SEND, and/or other qualified sources.

This configuration was considered as an option to help fill an alarmingly increasing shortage of Certified Teachers in our Parish, so that courses could be offered which were staffed by certified teachers. Please note that the ISP budget for FY0001 and FY0102 are not significantly different, even though T-1 line configuration changes were proposed.

To date, most of our schools have not taken significant advantage of video as a possible method of classroom instruction. We have chosen, primarily based on this reason, not to exercise the option to relocate our school T-1 lines to SEND.

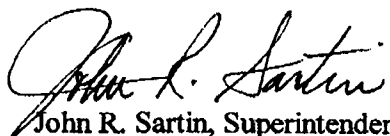
SEND Technologies personnel were made aware of our decision not to relocate the T-1 lines. SEND Technologies personnel had made it clear to us that there would be no additional ISP costs associated with the relocation of one or more T-1 lines, should we later choose to relocate. Any relocation would be performed and billed by BellSouth as a one-time cost.

Furthermore, on page 4 of your draft report, in the red highlighted box on the bottom right of the page, an absolutely false statement has been made, i.e., "Although the school district could not provide a contract for year three, . . . ". Mrs. Jeannie Green, Richland Parish Technology Coordinator, provided your investigators with a copy of the contract (attached) for year three of E-RATE.

In reference to your recommendation, our school district has followed a procedure that is similar to your suggestion, and we will continue to carefully review all payments to ensure that payments are made for only those services provided. Presently the technology coordinator reviews all E-RATE contracts and billings. Then, the recommendation for payment is submitted to the Business Manager, who reviews the E-RATE billing and submits it to the Superintendent for approval of payment. Checks are written and the Board President and Superintendent sign the checks for payment.

Richland Parish School District did receive "enhanced services" from our ISP in year three and year four as described above. Therefore, I request that you withdraw this finding.

Sincerely,



John R. Sartin, Superintendent
RICHLAND PARISH SCHOOL BOARD

Richland Parish School Board

Agency Name

411 Roster Street

Address

Rayville, LA 71040

City State Zip Code

(318) 728-5964

Phone

Internet Access

Service Order

SEND Technologies, L.L.C.

Service Provider

Spin # 143010002

Entity # 139321

Attachment # 2-IA

FRN #

Order # GF00-01-13-03

Phone # (318)340-0750

This service order confirms the purchase of service from SEND Technologies, L.L.C. by the Richland Parish School Board to provide the following:

Service per attachment number 2-IA for a total of \$80,796

Service Start Date: July 1, 2000 (upon confirmation of service start date by SLC)

Service Anniversary Date: July 1, 2001

Renewal of Service: Service term may be renewed by the customer for two consecutive one year terms with renewal term to begin July 1, 2001 and July 1, 2002.

Note: This professional services agreement is contingent upon the customer receiving approval of Universal Service (E-Rate) application and subject to Board funding under non-appropriation guidelines. Service renewals are also contingent upon E-Rate funding approval and subject to budgeting approval by the customer.

Authorized Signature

John R. Sartain

Date 1-10-2000

Service Provider

Lobby L. Earle

Date 1-10-2000

Attachment 2-IA
Form Identifier 42000
Entity Number 139321
Vendor - SEND Technologies
FRN - 341968
Parish

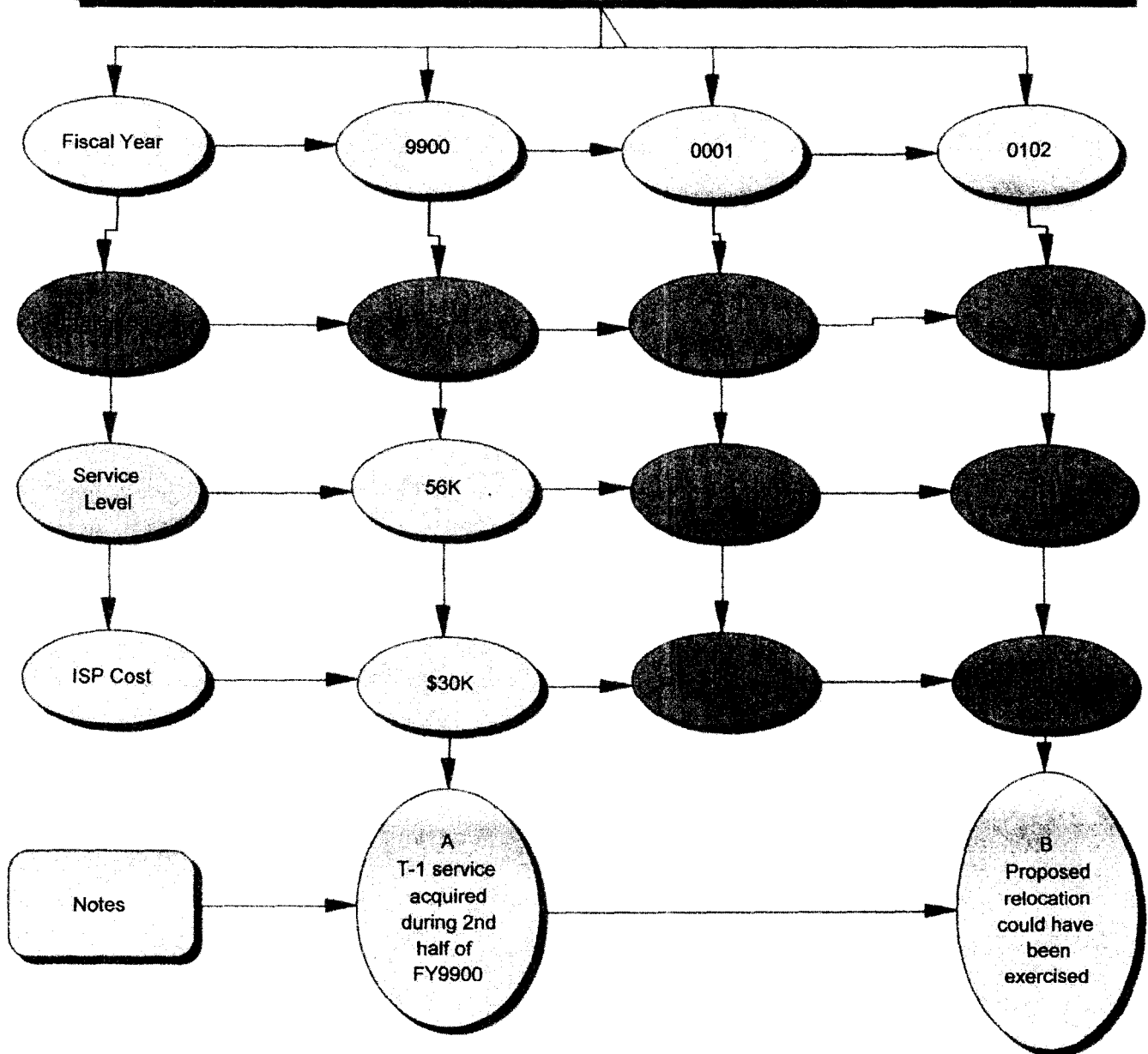
Richland Parish School District
Calculation Worksheet
Internet Budget Costs

| | # Schools | Discount % | Total Cost | School Cost | E-Rate Cost |
|-----------------|-----------|------------|---------------|----------------|----------------|
| Richland Parish | 11 | 83% | \$80,796 | 13735 | \$67,061 |

Dedicated T1 Internet service for all schools;

* Internet service email support for all schools; support for school Internet installation, setup and provision for all eligible services required for Internet access.

Timeline for Services for Richland Parish Erate



| | | | |
|-------------------------|-------|-------|-------|
| Fiscal Year | 9900 | 0001 | 0102 |
| E-Rate Year | 2 | 3 | 4 |
| Service Level | 56k | T-1 | T-1 |
| ISP Cost | \$30k | \$80k | \$80k |
| <i>See Notes</i> | A | | B |

Notes

- A -T-1 service acquired during 2nd half of FY9900
- B -proposed relocation could have been exercised

TENSAS PARISH SCHOOL BOARD

DELYNN VINES, President
JOSEPH M. HAZLIP, Vice-President

TELEPHONE (318) 766-3269
FAX (318) 766-3634



Donald H. Pennington, Superintendent

P. O. BOX 318 • ST. JOSEPH, LOUISIANA 71366

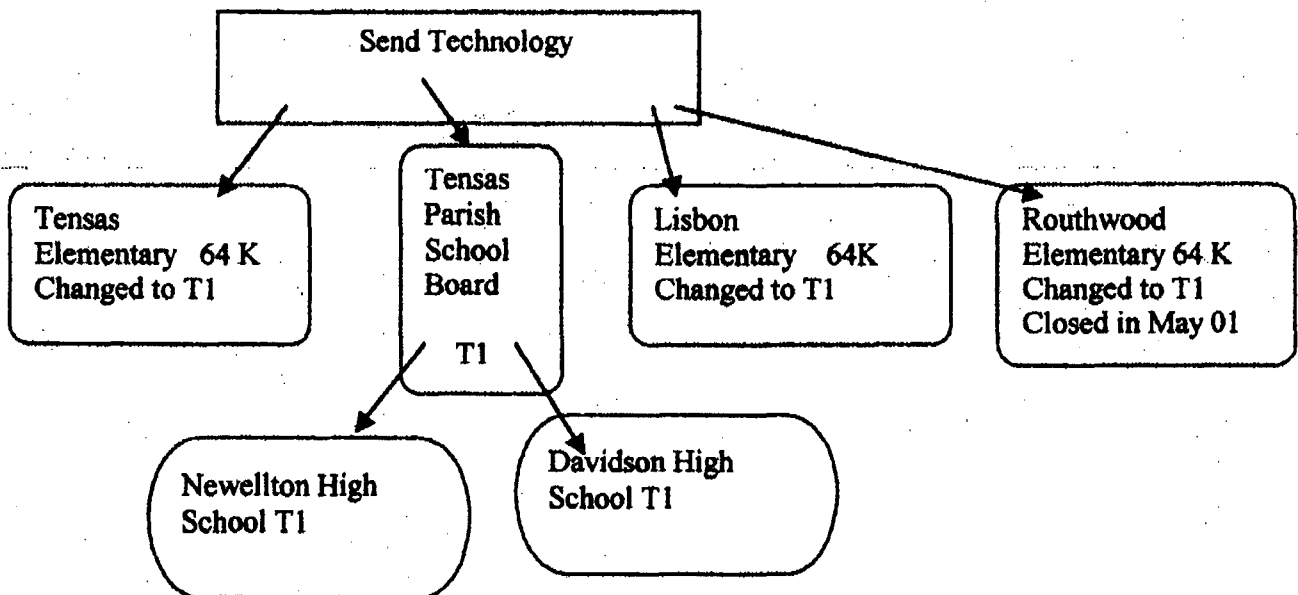
December 30, 2002

Mr. Calvin Moore
Office of Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Moore:

This is a response to your letter dated December 12, 2002 concerning the recent audit report of the Tensas Parish School Board.

In reviewing the draft of the audit report, the diagram on page 7 does not adequately show the configuration of the way that the school system received Internet Access services in 1999/00. The diagram should look like the following:



RECEIVED
LEGISLATIVE AUDITOR
02 DEC 31 AM 10:00

Finding 1: SEND was paid \$37,790 for Internet services not provided.

Recommendation:

The School District's Technology Coordinator, Business Manager, and Members of the School District's Finance Committee review all E-Rate contracts and billings to ensure that payments are made only for those services that are provided.

Management's Response:

In year one E-Rate funding, SEND Technology found that we had paid an invoice twice. The overpayment was returned.

We are aware of the overpayment made by the Tensas Parish School Board and USAC. Credit has been issued to the Tensas Parish School Board. A copy has been sent to the Legislative Auditor's Office. When asked, Send Technologies stated that arrangements are being made with USAC to correct their overpayment.

The Legislative Auditor has recommended that a committee be formed to review all contracts and bills to make sure that only the services being received are paid.

The Finance Committee will meet on a monthly basis to review all bills and match them to the contract for those services rendered.

Finding 2: SEND billed school districts for enhanced services not provided.

Recommendation:

We recommend that the School Board establish policies and procedures to ensure that vendors comply with contractual agreements.

Management's Response:

The vendor is aware of the over billing and is working on calculating the amount of refund that is due the school system and USAC.

The Tensas Parish School Board will establish policies and procedures to ensure that vendors comply with contractual agreements. A committee of the Business Manager, Technology Coordinator, Secondary Supervisor and Superintendent will review contracts and bills presented for payment to ensure they comply with contractual agreements.

Finding 3: School district failed to maintain adequate documentation of "On-Site Internet Network Support Services" performed by SEND.

Recommendations:

We recommend that the School Board establish policies and procedures to ensure that vendors comply with contractual agreements. In addition, we recommend that the School District's Technology Coordinator, Business Manager, and Members of the School District's Finance Committee review all E-Rate contracts and billings to ensure that payments are made only for those services that are provided.

Management's Response:

The Technology Coordinator is securing documentation (time logs and descriptions of work performed) from SEND Technology for proof that they actually worked in The Tensas Parish School System. Although the Technology Coordinator kept some documentation in a daily travel log, this was not sufficient to show proof that they actually worked in the parish.

A form called the "Technology Work Order Log" has been developed to document date, vendor, and work order number assigned by the Technology Coordinator or his designee. This work order log will be maintained at the Central Office. A "Technology Repair and Maintenance Work Form" has been created to document the vendor name, date, time in and time out, number of hours worked, technician performing the service, location, and will require a written description of work performed. The vendor will check in for work at the Central Office. They will receive the "Repair and Maintenance Work Form." Then they will drive to the school building that needs the service work performed. When the work is completed, this form will be signed by the Teacher, Principal, and Technology Coordinator. This form will be in three parts. A copy will be maintained at the School, one copy will be maintained the Accounts Payable Office, and one by the Technology Coordinator.

Should you need any further information, please do not hesitate to call.

Sincerely,

A handwritten signature in dark ink, appearing to read "Donald H. Pennington". The signature is fluid and cursive, with a large initial "D" and a stylized "P".

Donald H. Pennington
Superintendent

DHP/bv



WEBSTER PARISH SCHOOL BOARD

P.O. Box 520
1442 Sheppard Street
Minden, Louisiana 71058-0520
02058-0520 10:21

Telephone: (318) 377-7052
Fax: (318) 377-4114

Carolyn Boyett
President

Rickey Killian
Vice-President

December 18, 2002

Richard Noles
Superintendent

Wayne King
Asst. Superintendent

Mr. Calvin Moore
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Fax date 12/18/02 – Send Technologies

Dear Mr. Moore:

We have read your report and the findings therein. Our response is as follows:

1. Send Technologies issued a credit memo in September 2002 (documents attached). We applied this to our check number 48109 and payments on invoice 1820. Therefore, the Webster Parish School Board has taken action to correct the error in question.
2. The Technology Coordinator and Business Manager have been instructed to jointly review the contract with Send Technologies to assure total compliance with the agreement in all future invoices submitted for payment.

We appreciate your assistance in this matter and trust this response is will satisfy your needs.

Sincerely,

A handwritten signature in cursive script, reading "Richard Noles".

Richard Noles
Superintendent

cc: Linda Williams, Technology Coordinator
Fred Evans, Business Manager

No. 048109

WEBSTER PARISH SCHOOL BOARD

\$3,717.00
\$3,717.00

WEBSTER PARISH SCHOOL BOARD MINDEN, LA 71055

HIBERNIA NATIONAL BANK
MINDEN, LOUISIANA

WEBSTER PARISH SCHOOL BOARD

No. 048109

MINDEN, LOUISIANA 71055
MASTER FUND

VOID AFTER 90 DAYS

DATE

CHECK NO.

PAY EXACTLY

09/10/02

501.00

\$3,717.00

PAY TO THE ORDER OF

\$3,717.00 DOLLARS AND 00 CENTS

WEBSTER PARISH SCHOOL BOARD
2004 EVANSVILLE STREET
MINDEN, LA 71055

NON NEGOTIABLE

⑈048109⑈ ⑆111104879⑆72 00⑈0001 59⑈

01530

mtb

Please pay
Sandra Williams
9/10/02

Total

\$3,717.00

000003

Invoice

SEND TECHNOLOGIES LLC
2904 EVANGELINE ST.
MONROE, LA 71201-3724
PH. (318) 340-0750
FAX (318) 340-0580

DATE 8/22/2002 INVOICE # 1820

BILL TO

Webster Parish School Board
P. O. Box 520
Minden, LA 71058-0520
Attn: Linda Williams

P.O. NO. TERMS PROJECT

Due on receipt

| QUANTITY | DESCRIPTION | RATE | AMOUNT |
|----------|---|-----------|-----------|
| 9 | Webster - ISP Service Charges: SLD approved rate @ 30% to district and 70% to SLD Original invoices for July - March were charged at 26%, \$13,950 monthly charge x 4% | 558.00 | 5,022.00 |
| | Webster - ISP Service Charges: (\$4,350) balance for 2001-02 year x 30% | -1,305.00 | -1,305.00 |

SEE ATTACHED WORKSHEET

01530 2410.00 MR
~~2620.00~~

✓ mrb

Please pay
Linda Williams
9/10/02

Total

\$3,717.00

SEND

TECHNOLOGIES, L.L.C.

2904 Evangeline Street • Monroe, Louisiana 71201
Phone: 318.340.0750 • Fax: 318.340.0580
Web Address: <http://www.sendtech.net>

August 12, 2002

Ms. Linda Williams
Technology Coordinator
Webster Parish School Board
1442 Sheppard Street
Minden LA 71055

Dear Ms. Williams:

SEND Technologies LLC has been pleased to provide Internet and related services to Webster Parish for the past three years. We appreciate your business and hope that we will continue to meet your expectations for service in the future.

We are also pleased we have been able to institute business practices and controls to assist the district and SEND with oversight of overall services. One of the practices has been an internal review of current and prior years. The review examined the Internet services and internal connection services to verify services and charges.

For the 2001 year, there were two options that were considered by the district in configuration of Internet services. One option was for each school in the district to connect directly to SEND, bypassing the Technology Center. Another option was to upgrade the Technology Center to 3 Mbit or more and have schools connect through the Center. Either option also required the ISP provide service to the school level. The decision was made to upgrade the service to 3 Mbit and provide routing through the Technology Center. In addition, it was requested that routers in the schools be upgraded to new models under a rental charge.


The changes were scheduled to be implemented for the beginning of the 2001 year, but we delayed full implementation at your request pending ERate approval by the SLD. As you know, the SLD did not approve your application until the end of the school year and the approval rate was changed to 30/70%. SEND is providing an adjustment to the overall ISP services package based on the delayed implementation. In the original calculation from SEND, we had factored \$75.00 per month per school for the bandwidth upgrade (\$75.00 x 22 schools x 12 months). We had also calculated \$100.00 per month for the router equipment rentals (\$100.00 x 22 schools x 12 months). Due to the delayed approvals, the 3 Mbit upgrade was ordered in June, so there will be no charge for that service. We did provide some used routers as loaners to help alleviate some Internet problems, but we are not charging those units as rentals. The attached spreadsheet details the credit to be applied.

When we could see that there would be a problem with scheduling implementation, we withheld billing after the third quarter. Due to an increase in the rate for the district from 26% to 30% there is a balance of \$3,717.00. Invoice #1820 is attached. We have billed the SLD only two quarters at the original quarterly rate; the final billing will reflect a reduced amount to close the year.

For this year, we are proceeding with the upgrades you requested. The 3 Mbit link was ordered June 25; I will check and verify cutover and load balancing. We have routers and related equipment available; we are cutting services over as quickly as we can without disrupting administration or students.

Again, we appreciate your confidence in SEND and look forward to working with you in the future. Thank you again for the opportunity to continue serving the district.

Sincerely,


Mark Stevenson

President

SEND Technologies LLC

| | | | | | | |
|---|-----------------|--------------------------|---------------|--------------|---------------|--|
| Webster Parish Year 4 Reconciliation Worksheet | | | | | | |
| Services Order Amount | 167400 | | | | | |
| | | Schools | Router | | | |
| Proposed Calculation | Base | Rate | Rental | Other | Total | |
| | | (includes 3 mbit) | | | | |
| Amount | 1300 | 475 | 100 | 0 | | |
| Months | 12 | 12 | 12 | 0 | | |
| Factor | 1 | 22 | 22 | 0 | | |
| TOTAL | 15600 | 125400 | 26400 | 0 | 167400 | |
| | | | | | | |
| | | Schools | Router | | | |
| Installed Calculation | Base | Rate | Rental | Other | Total | |
| | | (includes 3 mbit) | | | | |
| Amount | 1300 | 400 | 100 | 0 | | |
| Months | 12 | 12 | 12 | 0 | | |
| Factor | 1 | 22 | 0 | 0 | | |
| TOTAL | 15600 | 105600 | 0 | 0 | 121200 | |
| | | | | | | |
| Variance | | | | | 46200 | |
| | Proposed | Installed | | | | |
| Total Bill | 167400 | 121200 | | | | |
| Partial Billed to Date | 125,550 | 125550 | | | | |
| Balance | 41,850 | -4,350 | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Note - Rate for school charges changed - 3 Mbit upgrade delayed for installation | | | | | | |
| Note - Rental rate eliminated for routers since routers delayed for installation | | | | | | |
| (Some routers were upgraded due to internet problems; no charge for loaned equipment) | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

CC Docket No. 02-6

Exhibit D

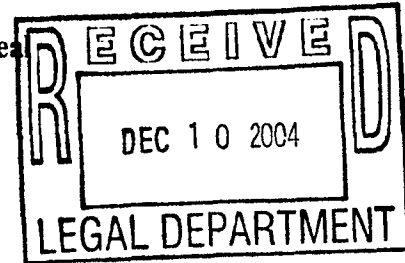


Universal Service Administrative Company
Schools & Libraries Division

Administrator's Decision on Appeal

December 7, 2004

Brenda Slaughter
BellSouth Telecommunications, Inc.
675 W. Peachtree Street
Atlanta, GA 30375-0001



| | | |
|-----|-------------------------|---------------------------|
| Re: | Applicant: | Union Parish School Board |
| | Application Number: | 229706 |
| | Billed Entity Number: | 139313 |
| | Funding Year: | 2001-2002 |
| | Decision Letter Date: | April 24, 2003 |
| | Date Appeal Postmarked: | June 24, 2003 |

Our records show that your appeal was postmarked more than 60 days after the date your Commitment Adjustment Letter was issued, as shown above. Federal Communications Commission (FCC) rules require applicants to postmark appeals within 60 days of the date on the decision letter being appealed. FCC rules do not permit the SLD to consider your appeal.

If you believe there is a basis for further examination of your application, you may file an appeal with the FCC. You should refer to CC Docket No. 02-6 on the first page of your appeal to the FCC. Your appeal must be **POSTMARKED** within 60 days of the above date on this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. If you are submitting your appeal via United States Postal Service, send to: FCC, Office of the Secretary, 445 12th Street SW, Washington, DC 20554. Further information and options for filing an appeal directly with the FCC can be found in the "Appeals Procedure" posted in the Reference Area of the SLD web site or by contacting the Client Service Bureau. We strongly recommend that you use the electronic filing options.

Schools and Libraries Division
Universal Services Administrative Company

cc: Tom Snell
Los Union Parish School Board
Marian Highway
Farmerville, LA 71241